

The Global Newspaper
Printed in Paris
Printed in London, Zurich,
Hong Kong, Singapore,
The Hague and Marseille

WEATHER DATA APPEAR ON PAGE 18

No. 31,801

ZURICH, MONDAY, MAY 20, 1985

ESTABLISHED 1887

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Algeria... 4.00 Dhs. Israel... 1.500 NIS. Norway... 7.00 Nkr.
Austria... 20 S. Italy... 1.500 Lit. Oman... 0.200 Rial
Belgium... 40 Bfr. Jordan... 0.500 Dhs. Portugal... 200 Esc.
Canada... 0.600 Can. Kenya... 1.000 Shs. Saudi Arabia... 1.000 R.
Czechoslovakia... 20 Kcs. Kuwait... 1.000 Dhs. Singapore... 1.000 S.
Denmark... 2.000 Dkr. Lebanon... 0.500 L.L.D. South Korea... 1.000 W.
France... 100 F. Libya... 1.000 D.D. Taiwan... 1.000 N.T.
Germany... 1.000 M. Oman... 0.500 Rial. Thailand... 1.000 B.
Greece... 200 Dr. Pakistan... 1.000 Rupee. United States... 1.000 \$.
Hungary... 200 Ft. Philippines... 1.000 P. USSR... 1.000 R.
Ireland... 1.000 P. Sri Lanka... 1.000 Rs. Yugoslavia... 1.000 D.
Japan... 1.000 Yen. Turkey... 1.000 Lira.



Colonel Moamer Qadhafi of Libya was greeted in Khartoum by General Abdul Rahman Swaredhah of Sudan.

Qadhafi Pays Visit To Sudan

Depose Regimes Like Nimeiri's, He Urges Arabs

By The Associated Press
KHARTOUM, Sudan — Libya's leader, Colonel Moamer Qadhafi, in a brief visit to Khartoum, has called on other Arab armies to follow Sudan's example and overthrow "reactionary regimes."
Colonel Qadhafi spent four hours in the Sudanese capital on Saturday. The visit was the strongest indication yet of a rapprochement between the north African neighbors, which began shortly after Gaafar Nimeiri was deposed as Sudan's president on April 6.
The Libyan leader had long sought to overthrow General Nimeiri, who was a key U.S. ally in Africa. Libya and Sudan restored relations last month after a four-year break.
Colonel Qadhafi's visit was the third involving high-ranking dignitaries of the Libya and Sudan since the coup. The colonel also was the first foreign leader to visit Sudan since General Nimeiri was overthrown.
After his visit, Colonel Qadhafi flew on to Jeddah, where he had talks with King Fahd of Saudi Arabia, before leaving Sunday.
The welcoming delegation for Colonel Qadhafi at Khartoum Airport was headed by General Abdul Rahman Swaredhah, who led the coup and now is chairman of the ruling Transitional Military Council. The Libyan and Sudanese leaders held talks in an airport lounge.
Colonel Qadhafi said he had come to congratulate the Sudanese people and army "for the popular revolution that ended General Nimeiri's reactionary regime."
He said that the Sudanese military had "given the example of how armies can take the side of the masses."
"I also call on the armies in the Arab world to join the masses and oust reactionary regimes," he said.
Although the two sides have signed economic and cultural agreements, there has been no indication of financial aid from Libya to the stricken Sudanese economy. Libya, however, has said that it will stop supplying arms to non-Moslem rebels in southern Sudan in an attempt to stop a civil war that is



Wildfires Spread in South Florida

Brushfires spread around power-line pylons in the Everglades, causing power failures in southern Florida. Fires, described as the worst in Florida's history, burned more than 100,000 acres throughout the state over the weekend and left three persons dead. A state of emergency has been declared in some areas. Officials said that more than a hundred homes have been destroyed.

Christian Militia To Pull Out of South Lebanon

By Nora Boustany
Washington Post Service
BEIRUT — The new leader of Lebanon's main Christian militia has said that his forces will leave Jezzine, the last Christian enclave in southern Lebanon. At the request of Syria, he also ordered the closing of a Lebanese Christian liaison office in Israel.

The announcement Saturday represented a sharp reversal in the policy of the Christian militia and its leadership, in the view of observers, and a clear recognition on their part that Syria is replacing Israel as the dominant military power in Lebanon.
Elie Hobeika, head of the Lebanese Forces and leader of a group of dissident Christian commanders, said he would welcome deployment of Lebanese Army soldiers in Jezzine.
More than 60,000 Christian refugees have gathered there since late April, when Druze militiamen and their Moslem allies drove them from their homes in a push through the foothills of the Chuf mountains.

The withdrawal of Lebanese Forces militiamen and the Israeli-sponsored South Lebanon Army from Jezzine would permit deployment there of regular Lebanese Army troops. Syria has reportedly demanded this before it will intervene militarily to help end sectarian fighting that has killed more than 100 people since April 23.
Mr. Hobeika gave no timetable for the withdrawal, and there was no indication when or if the South Lebanon Army would pull out its troops.

Shelling between the Lebanese Forces, fighting alongside the South Lebanon Army, and a string of Shiite Moslem villages near Jezzine had caused an exodus of residents and prompted Nabih Berri, leader of the Shiite Moslem Amal militia, to threaten to bombard Christian villages.
Mr. Hobeika replaced Samir Geagea as head of the Lebanese Forces on May 9, a month after Mr. Geagea, accusing the Lebanese government of being too closely allied to Syria, revolted against President Amin Gemayel. The appointment of Mr. Hobeika, who had been the militia's intelligence chief, was reportedly made at the insistence of Syria.
"In order to preserve the security of Jezzine and prevent a recurrence of what happened in the Sidon area, we welcome a quick deployment of the Lebanese Army," Mr. Hobeika said. "Orders have been given to our forces in Jezzine and the border strip, mostly logistics units, to return to their barracks in Beirut."
Mr. Hobeika's move also appeared to be a concession to Moslem demands and a show of good will.
Mr. Hobeika said instructions had been given for closing down the Lebanese Forces representative office in Israel, a move that effectively ends 10 years of close collaboration between the dominant Christian militia and Israel.
The office had been opened a year ago, with heavy publicity from Israel, but had been used largely as a propaganda arm of the Lebanese Christians. Israel used less-visible channels to communicate with the Christians, and apparently never considered the office a critical link.
Mr. Hobeika, through most of his military and political career, had been closely allied to Israel. But he announced a break, upon replacing Mr. Geagea, saying "crucial circumstances" in the past decade had "forced some of us to resort to certain regional powers hostile to our Arab environment."
He said the reason had been "merely for self-defense" of the Christian community and that he now saw "the necessity of returning to our Arab environment."
An Israeli government commission asked to explain Mr. Hobeika's shift toward Syria, Christian sources said he "will be pro-Israeli if it is good for the Christian community, and he will be pro-Syrian if it is more beneficial for the Christians."
[Anti-aircraft fire struck President Gemayel's private wing at the government palace in suburban Baabda early Sunday as Christian and Moslem militias duelled with artillery, rockets and mortars along Beirut's Green Line. The Associated Press reported from Beirut. The police said neither Mr. Gemayel nor any of his staff was injured.]
■ **Prisoner Swap Expected**
A Palestinian commando group will exchange three Israeli soldiers Monday for 1,150 Palestinians and Lebanese held by Israel, Palestinian sources said Sunday in Damascus, Reuters reported.

Sweden's Ruling Party Struggles as Vote Nears

By Barnaby J. Feder
New York Times Service
STOCKHOLM — For Sweden's governing Social Democrats, last week was about as bad as a week as any political party can stand with only four months to go before a national election.
A pay dispute with the largest white-collar civil service union became deadlocked, forcing the government to lock out more than 50,000 union members, including thousands of teachers. Many state-run services, including all of Sweden's airports, have been indefinitely shut down.
Out top of that, Swedish consumers have had so much money, a lot of it on credit, and have been spending it so freely on imports that the government raised interest rates sharply to halt a rapid deterioration of the balance of payments.
More and more Swedes are skeptical about the Social Democrats' explanations for these and other problems.
Sweden remains a bedrock of Western socialism, but it has been affected by the political and economic conservatism that has influenced much of the rest of Europe. Those who argue that the welfare state must be trimmed back have gained support, and the Social Democrats and their Communist partners in government are clearly on the defensive.
The biggest gainer, especially among young voters, has been the Moderate Party, the most conservative of the non-Socialist parties. Much of its appeal is based on a pledge to lower taxes, which are the highest in the industrial world.
But the promise by Moderate leaders to open up some government services, such as day care and medical care, to private competition also has wide appeal among Swedes, who increasingly resent

Yugoslav Leader Struggles to Deal With Economy

By David Binder
New York Times Service
BELGRADE — Two weeks before a visit to the United States, Prime Minister Milka Planinc says a faltering economy has brought Yugoslavia "to the point of a rather dangerous limit of what people will tolerate."
"The most serious problem," Mrs. Planinc, 60, said in an interview Friday, "is that we have not been able to increase productivity as much as is needed, or to increase the standard of living."
The annual inflation rate was nearly 80 percent for the first four months of the year; the unemployment rate of 15 percent of the work force is said to be Europe's highest; exports are stagnating.
"But we cannot allow ourselves to grow weary and give up, or return to uneconomic policies," she said.
As for her own role in overseeing the economy, she said: "People need a determined and courageous person, and I am determined and courageous. People believe one such person can solve the problems, but it takes more than one."
Mrs. Planinc has been prime minister since May 1982 and has one year to go under the Yugoslav system of rotation. A recent opinion poll by the weekly NIN cast her as the most popular political personality in the country.
Asked about this, she replied: "I am not the type that welcomes a superficial and comforting sense of popularity. I experience this more as a burden or responsibility. It is a result more of a belief that a single man or woman can do more than they can really accomplish."
She has been described as someone headstrong enough to resist the temptation to go on borrowing, while allowing the laws of the marketplace to penetrate the economy more deeply. Her prominence in a country where other leaders since the death of President Tito five years ago have seemed colorless has made her into a scapegoat as much as an object of approval.
Mrs. Planinc said she would be conferring with government leaders and with bankers during her

Gandhi to Sign Accords During Visit to Moscow

By The Associated Press
NEW DELHI — Prime Minister Rajiv Gandhi plans to sign major economic agreements during his six-day visit to the Soviet Union that begins Tuesday, according to an Indian official.
Mr. Gandhi is scheduled to hold discussions with the Soviet leader, Mikhail S. Gorbachev, on Wednesday. The trip is Mr. Gandhi's first official state visit.
"This is an important visit because both countries now have new, young leadership," Foreign Secretary Ramesh Bhandari said Saturday in a reference to the rise to power of Mr. Gorbachev, 54, in March and Mr. Gandhi, 40, last October.
The Indian leader is to visit Moscow before touring Egypt, France, the United States, Algeria and Switzerland next month.
Political analysts said that Mr. Gandhi, who became prime minister after his mother, Indira Gandhi, was assassinated on Oct. 31, hopes to reaffirm India's traditional close ties with the Soviet Union by visiting Moscow first.
New Delhi and Washington signed an agreement Friday on the transfer of U.S. high technology. Asked if the new accord would af-

U.S. and Soviet to Open Talks on Trade Today

By Clyde H. Farnsworth
New York Times Service
WASHINGTON — The United States and the Soviet Union are to open trade talks Monday at the highest level since relations turned sour after the Russians intervened in Afghanistan in 1979.
Secretary of Commerce Malcolm Baldrige and the Soviet foreign trade minister, Nikolai S. Patolchev, will meet for two days in Moscow to try to iron out some of the many difficulties and discuss the kinds of trade that might be expanded.
Prospects for breakthroughs are clouded, however, by policy struggles in the Reagan administration and by Soviet unreliability. President Ronald Reagan, chiefly at the urging of Secretary of State George P. Shultz, agreed to let Mr. Baldrige try to strengthen trade links. Defense Secretary Caspar W. Weinberger strongly opposed the trip.
Mr. Weinberger fears the Russians will buy U.S. technology and adapt it for uses such as anti-submarine missiles or better anti-submarine sensors. He contends U.S. technology already obtained by Moscow has reduced costs of Soviet weapons and forced Washington to spend even more to stay ahead.
Mr. Weinberger also wanted to cancel the Baldrige trip to protest the death of Major Arthur D. Nicholson Jr., a member of the American liaison unit who was shot by a Soviet soldier in East Germany in March. He also opposes commitments that might let the Russians buy advanced oil exploration and drilling equipment to boost lagging production.
The administration's ability to move on trade is hobbled by congressional constraints. Many barriers are embedded in legislation; among them are a ban on fur imports dating from the Korean War and denial of most-favored-nation trade privileges, which provide for a generalized lowering of tariffs.
Many analysts say that dramatic Soviet gestures on human rights will be needed if Congress is to become responsive to relaxing the curbs. For example, Moscow might release the imprisoned computer scientist, Anatoli B. Shcharansky, or permit Yelena G. Bonner, the wife of Andrei D. Sakharov, the

Costa Rican Neutrality: Arrival of U.S. Advisers Spurs Debate

By Joel Brinkley
New York Times Service
SAN JOSE, Costa Rica — The arrival here this month of U.S. military advisers to train the Costa Rican police has added to a growing debate about whether the United States is urging Costa Rica to militarize against its will.
Costa Rica has no army, and President Luis Alberto Monge has proclaimed that his country will maintain "perpetual unarmed neutrality."
But with Nicaragua on its northern border, neutrality has become increasingly difficult to maintain, especially since the Costa Rican economy is heavily dependent on U.S. aid.
At the request of the Costa Rican government, 20 U.S. Army Special Forces advisers have begun to train

INSIDE

■ The success of Sinn Féin in local elections in Ulster was poorly received in Dublin and London. Page 2.
■ A congressional consensus has emerged in the debate over the U.S. deficit. Page 3.
■ Hostilities on the border between Nicaragua and Honduras have increased in recent weeks. U.S. officials said. Page 5.
■ Mitterrand's government prepares to defend its record: A special report on the French economy. Page 7.
■ Argentina froze foreign-currency bank accounts for 120 days to stem a run by depositors. Page 13.

U.S. and Soviet to Open Talks on Trade Today

By Clyde H. Farnsworth
New York Times Service
WASHINGTON — The United States and the Soviet Union are to open trade talks Monday at the highest level since relations turned sour after the Russians intervened in Afghanistan in 1979.
Secretary of Commerce Malcolm Baldrige and the Soviet foreign trade minister, Nikolai S. Patolchev, will meet for two days in Moscow to try to iron out some of the many difficulties and discuss the kinds of trade that might be expanded.
Prospects for breakthroughs are clouded, however, by policy struggles in the Reagan administration and by Soviet unreliability. President Ronald Reagan, chiefly at the urging of Secretary of State George P. Shultz, agreed to let Mr. Baldrige try to strengthen trade links. Defense Secretary Caspar W. Weinberger strongly opposed the trip.
Mr. Weinberger fears the Russians will buy U.S. technology and adapt it for uses such as anti-submarine missiles or better anti-submarine sensors. He contends U.S. technology already obtained by Moscow has reduced costs of Soviet weapons and forced Washington to spend even more to stay ahead.
Mr. Weinberger also wanted to cancel the Baldrige trip to protest the death of Major Arthur D. Nicholson Jr., a member of the American liaison unit who was shot by a Soviet soldier in East Germany in March. He also opposes commitments that might let the Russians buy advanced oil exploration and drilling equipment to boost lagging production.
The administration's ability to move on trade is hobbled by congressional constraints. Many barriers are embedded in legislation; among them are a ban on fur imports dating from the Korean War and denial of most-favored-nation trade privileges, which provide for a generalized lowering of tariffs.
Many analysts say that dramatic Soviet gestures on human rights will be needed if Congress is to become responsive to relaxing the curbs. For example, Moscow might release the imprisoned computer scientist, Anatoli B. Shcharansky, or permit Yelena G. Bonner, the wife of Andrei D. Sakharov, the



PAPAL MASK — Pope John Paul II peeked from behind a mask presented to him on his Belgian tour. On Sunday, he assailed racism, totalitarian regimes and profit-dominated economic systems, and said that the Roman Catholic Church's teachings on sex and marriage would not be changed to suit "contemporary states of mind." Page 2.

Gandhi to Sign Accords During Visit to Moscow

By The Associated Press
NEW DELHI — Prime Minister Rajiv Gandhi plans to sign major economic agreements during his six-day visit to the Soviet Union that begins Tuesday, according to an Indian official.
Mr. Gandhi is scheduled to hold discussions with the Soviet leader, Mikhail S. Gorbachev, on Wednesday. The trip is Mr. Gandhi's first official state visit.
"This is an important visit because both countries now have new, young leadership," Foreign Secretary Ramesh Bhandari said Saturday in a reference to the rise to power of Mr. Gorbachev, 54, in March and Mr. Gandhi, 40, last October.
The Indian leader is to visit Moscow before touring Egypt, France, the United States, Algeria and Switzerland next month.
Political analysts said that Mr. Gandhi, who became prime minister after his mother, Indira Gandhi, was assassinated on Oct. 31, hopes to reaffirm India's traditional close ties with the Soviet Union by visiting Moscow first.
New Delhi and Washington signed an agreement Friday on the transfer of U.S. high technology. Asked if the new accord would af-



Robert Leclerc, a Swiss banker, was found guilty of fraud. Page 5.

■ The success of Sinn Féin in local elections in Ulster was poorly received in Dublin and London. Page 2.
■ A congressional consensus has emerged in the debate over the U.S. deficit. Page 3.
■ Hostilities on the border between Nicaragua and Honduras have increased in recent weeks. U.S. officials said. Page 5.
■ Mitterrand's government prepares to defend its record: A special report on the French economy. Page 7.
■ Argentina froze foreign-currency bank accounts for 120 days to stem a run by depositors. Page 13.

WORLD BRIEFS

France to Step Up Air Show Security

PARIS (Reuters) — More than 2,000 police officers, along with explosives experts and bomb-sniffing dogs, have been called in to reinforce security at the Paris Air Show, which begins May 31 at Le Bourget airport, according to a senior police official.

The official, Francois d'Huet, director of the regional police force, said Saturday that the measures were taken after a series of attacks against West European installations of the North Atlantic Treaty Organization. Mr. d'Huet said that the measures would include video surveillance, metal detectors and dogs trained to sniff out explosives.

The U.S. Embassy in Paris has told the U.S. Commerce Department and several American companies planning exhibits at the show that it had received information about potential threats. Many of the American exhibitors supply equipment to the military and aerospace industries. About 1,100 companies from 33 countries will be represented at the show, which runs until June 9.

Arms Smuggling Disputed in Salvador

SAN SALVADOR (AP) — An American tugboat and a barge intercepted by the Salvadoran Navy were carrying tallow for making soap, not weapons for Salvadoran rebels, according to a port official.

President Jose Napoleon Duarte, on a U.S. visit, said Friday in New York that the Salvadoran Navy had apparently seized a boat smuggling weapons from Nicaragua to the Salvadoran guerrillas, though he added that the report had not been confirmed.

The tugboat and a barge of unknown registry were intercepted Thursday and taken to the port of La Union. A port official there said Friday that the tugboat, registered in Houston, was transporting cotton. But after an inspection Saturday, he said the boats were carrying tallow.

In a communiqué issued Friday in Managua, the Sandinista government rejected the smuggling charges "categorically and energetically" as part of a "campaign of calumnies."

Apartheid Protesters Acquitted in U.S.

CHICAGO (NYT) — Eight persons accused of trespassing at the South African Consulate in Chicago have been acquitted after arguing in court that their action was justified in seeking to prevent "greater crimes" in South Africa.

The trial, which ended Friday, apparently was the first of defendants from among people arrested around the United States in the past six months for protesting South Africa's racial separation policies. Charges have been dropped in other cases.

Defense lawyers based their arguments on an Illinois statute that causes criminal conduct if it can be expected to avoid a greater injury. "We have a right to act reasonably to prevent the commission of greater crimes in South Africa," said Timothy Wright, a defense lawyer.

U.S. Expected to Slow Refugee Intake

BANGKOK (UPI) — The United States will stop interviewing Cambodian refugees for resettlement in the United States next month, a Western diplomatic source said Sunday. Nongovernmental Western aid workers in Thailand said an end to interviewing would virtually halt the resettlement of Cambodians in the United States.

They said the United States appeared to be trying to reduce the number of Indochinese refugees it accepts. More than 375,000 have entered the country since 1975. The United States has already accepted more than 125,000 out of about 190,000 Cambodians who have been resettled in third countries since the Communist takeover in 1975.

The diplomatic source said the interviewing was expected to end in early June because most of those eligible for resettlement to the United States had already been interviewed. Thai officials have allowed Indochinese refugees to enter their country temporarily based on a pledge by Western nations that all of them would be resettled abroad.

Guards Accused of Harassing Mandela

BRANDFORD, South Africa (WP) — Nelson Mandela, the imprisoned black nationalist leader, says that he is being victimized for his rejection of an offer of conditional release, according to his wife, Winnie Mandela. The Prisons Department has denied the allegation.

In a recent interview, Mrs. Mandela said she told her at Cape Town's Pollsmoor Prison that his conditions and those of four other leaders of the outlawed African National Congress had been "made very difficult" since they rejected the offer, made in February by President Pieter W. Botha. They had said they would accept no conditions until apartheid was abolished.

"Nelson told me that they were being continually harassed in an indirect way," Mrs. Mandela said in the interview, adding that she had been searched by prison guards before her visit for the first time in 23 years. Her daughter, Zina, who visited soon afterward, was subjected to a body search, Mrs. Mandela said. The Prisons Department denied the allegations Saturday.

For the Record

Nicaragua is moving its trade office for North America from Miami to Toronto, Canadian officials said Saturday. The Globe and Mail in Toronto quoted Casimira Sotelo, the Nicaraguan ambassador, as saying the transfer was hastened by the U.S. trade embargo.

Radio Martí, the long-postponed U.S. project to broadcast to Cuba, is to go on the air Monday, according to Senator Paula Hawkins, Republican of Florida, and Lawton Chiles, Democrat of Florida.

Bombings in the United States killed six persons, injured 112 and caused \$5.6 million in property damage in 1984, the FBI said Saturday. It said there were 803 bombings in the year.

A Soviet aircraft thought to have gone down at sea near Sakhalin Island last week was probably a cargo plane, not an airliner, according to a Western defense official in Tokyo.

Sweden's Ruling Party Struggles as Vote Nears

(Continued from Page 1)

the bureaucracy that has grown up with the welfare state.

Perhaps the clearest indication of the shift, many say, is a new pro-business attitude that has made heroes of not just the captains of industry but also of small entrepreneurs.

"Leading executives with big business had prestige during the 1950s and 1960s because they contributed to the centralization of power in which the Social Democratic governments, labor unions and business cooperated," said Ulf Jakobsson, chief economist for the Swedish Employers' Confederation.

"That changed during the radicalism of the 1970s, but their comeback is no surprise. The big change is the rise in respect for small-businessmen. For 40 or 50 years, building your own business had been seen as little better than being a gangster."

Against these changes, the Social Democrats and Prime Minister Olof Palme have been trying to whittle away at the high inflation rate and budget deficit while reinforcing and in some cases extending the welfare state.

The election-year drive to convince Swedes that the country is on what the Social Democrats call

Pope Urges War Against Enslavement Of Mankind

BRUSSELS — Pope John Paul II attacked racism, totalitarian regimes and profit-dominated economic systems Sunday, calling for a "war against whatever enslaves mankind."

The pontiff started his fourth day in Belgium with a warning to 100,000 people at an outdoor mass that the church's strict teachings on sex and marriage would not be changed to suit "contemporary states of mind."

The pope later went Our Lady of Laken Church and told several thousand Christian trade unionists, "a noble war should be waged for social justice."

He said Christians "wage an original war against whatever enslaves mankind."

He cited the need of solidarity among workers worldwide in the fight against injustice.

The pope has frequently called a job a basic human right and condemned discrimination based on sex, religion, race and national origin.

Speaking in Flemish, French and German, Belgium's three languages, the pontiff also urged this linguistically divided nation of 10 million to pursue peace within the country.

■ 65th Birthday

The pope celebrated his 65th birthday Saturday in Brussels with talk of Christian unity and a stern warning to youth against the exploitation "of our weaknesses and our passions."

John Paul, who has been criticized by some Protestant leaders for slowing ecumenical dialogue, also called on the Christian churches to "practice a wider hospitality."

The pope made his address on relations between the Christian churches in Mechelen, the city where unity talks between Roman Catholic and Anglican church leaders were held between 1921 and 1925.

He repeated his belief that the cause of unity would not be served by "concealing discord" or through "superficial and precarious compromises" among the faiths.

Qadhafi Asks Overthrow of Reactionaries

(Continued from Page 1)

said to be costing the Khartoum government \$1 million a day.

In Saudi Arabia, according to the state-run Libyan radio, Colonel Qadhafi led anti-U.S. chanting at Mecca after performing the pilgrimage rites Saturday night.

The radio broadcast, monitored in London, said that Colonel Qadhafi and the masses crowding the place outside the Kaaba, Islam's holiest shrine, shouted: "God is great. Victory for the Arab nation. Down with the United States, the enemy of Islam."

According to the broadcast, the hostile slogans also were directed against King Hussein of Jordan and President Hosni Mubarak of Egypt, who were both described as "enemies of God and agents of Zionism."

The official Saudi Press Agency reported that Colonel Qadhafi's 18-hour visit but did not give any details about the talks with King Fahd.

Arab diplomats, who asked not to be identified, said the talks had centered on support for the Sudanese leadership that overthrew General Nimeiri, ways to end the Iran-Iraq war and ways to heal Arab rifts, including the one between Colonel Qadhafi and the chairman of the Palestine Liberation Organization, Yasser Arafat.

The talks between Colonel Qadhafi and King Fahd were expected to strengthen ties between the two countries, which reached a low ebb in 1982.

Bangladesh Takes Lead In Population Density

DHAKA, Bangladesh — Bangladesh is the world's most densely populated country with nearly 101.5 million people living in 55,000 square miles, or 143,000 square kilometers, according to a research report published here.

The Washington-based Population Research Bureau also said that the population had increased by about 11 million over the last four years.

Gandhi to Sign Pacts on Moscow Visit

(Continued from Page 1)

dian-U.S. trade has increased from \$1.5 billion in 1977 to \$3 billion in 1982 and \$4 billion in 1983.

■ Gorbachev Gives Interview

The official Soviet news agency Tass said Sunday that Mr. Gorbachev, in his first interview with a foreign journalist since becoming the Soviet party chief, has accused the United States of scuttling efforts to make the Indian Ocean a "zone of peace." The Associated Press reported from Moscow.

Mr. Gorbachev made the remarks in an interview with the Moscow-based correspondent of the Press Trust of India on Saturday.



MOVE ON APARTHEID — University of California regents suspended investments in companies trading with South Africa, but postponed a decision on selling such holdings, despite protests outside the meeting in Berkeley. At left is Governor George Deukmejian.

Carrington Cautions West on Talks

By Karen DeYoung

LONDON — The secretary-general of the North Atlantic Treaty Organization, Lord Carrington, has warned the West against being tempted by Soviet efforts in Geneva to link reductions in offensive nuclear weapons to U.S. abandonment of research on its Strategic Defense Initiative.

Meeting with U.S. correspondents, Lord Carrington cautioned Friday against giving "things away before the hard bargaining actually starts."

His remarks seemed to be addressed to the government and opposition factions in NATO countries that contend that the Reagan administration has taken an intransigent position at U.S.-Soviet arms talks in Geneva on SDI, a program of space-based defense against nuclear missiles. The talks are to resume May 30.

"What the United States does with SDI is for the United States to decide," Lord Carrington said. He suggested that the Soviet Union, possibly spurred on by anxious U.S. allies, should not set the terms for arms-control negotiations.

Lord Carrington cautioned against any offer by the Soviet Union promising reductions in offensive missiles for curtailment of SDI. He said that despite the appeal that such an offer might have for public opinion in the West, it would be "meaningless" since it was not verifiable at the research stage.

He also said there was no way of knowing if Soviet research on a similar space-based defense system was under way.

The Soviet Union is insisting on curtailment of space-based defense systems as a condition for offensive missile cuts. The Reagan administration has said that it will discuss the SDI program but that its research phase is not negotiable. It has supported that argument with

Debate Intensifies In Costa Rica on Neutrality Issue

(Continued from Page 1)

ington that 200 Costa Rican leftists had gone to Nicaragua to fight alongside Sandinista troops against the U.S.-backed Nicaraguan rebels.

He said that "there is clearly potential for the use" of this "all-Costa Rican brigade inside Costa Rica in the future."

The Costa Rican Security Council wrote to the U.S. Embassy asking for the evidence behind the charge. The embassy official said that the information first came from a report in The Washington Times, adding that "the State Department confirmed it."

But a senior State Department official who has read the intelligence information behind the charge said it was "extremely weak."

Several senior Costa Rican officials, including Mr. Piza and Enrique Obregon, the head of the Rural Guard police force, said that the Costa Rican government was concerned about the threat of insurgency from Nicaragua.

The School of Americas in Panama closed last year, and Mr. Piza said that his ministry decided to invite the U.S. military advisers to train the guardsmen at a new camp in northwestern Costa Rica, 10 miles (16 kilometers) from the Nicaraguan border.

Ulster Unionists Vow to Prevent Sinn Fein From Exploiting Success

By Jo Thomas

MAGHERAFELT, Northern Ireland — The success of Sinn Fein, the Irish Republican Army's political wing, in Northern Ireland's local government elections has been greeted with expressions of disappointment from Dublin and renewed assertions by British officials that they would not meet with its elected representatives.

Unionist politicians warned that they would do everything possible to deny the party the chance to exploit its success.

Sinn Fein, which entered local government elections across the province for the first time, won 59 seats and a voice in 17 of the 26 councils. Most of the councils are controlled by Unionists, who want Northern Ireland to remain British.

"There's no issue on which we'd have common ground," Harold McCusker, a spokesman for the Official Unionist Party, said of Sinn Fein.

"I don't think anyone doubts they have support," he said. "If they didn't, they wouldn't be mur-

dering my colleagues and getting away with it."

The Official Unionist Party led in the results, with 190 seats. Nicholas Scott, the British under-secretary of state for Northern Ireland, said on British radio that the government would meet with Sinn Fein only if it renounced violence.

Peter Barry, the Irish foreign minister, expressed disappointment over the vote for Sinn Fein.

"As the talks between Dublin and London were progressing," he said, "this should have given encouragement to nationalists to back constitutional politics rather than the politics of violence, which is what Sinn Fein are about."

The pressure now seems to be on the Social Democratic and Labor Party, a nationalist party that condemns violence. The party won 101 seats with 17.8 percent of the votes, still ahead of Sinn Fein, which won 11.8 percent. There are six councils where the party will have to work with Sinn Fein or some combination of independents to have a nationalist majority.

"We will be doing no favors whatsoever for any of the Unionist parties," said Seamus Mallon, the Social Democratic and Labor Party's deputy leader. "We will ensure that nationalist strength will be seen on councils."

In Magherafelt, Londonderry, Sinn Fein's top vote-getter and his campaign manager were brothers of Anthony McBride, an IRA man shot dead by the army in December.

Sinn Fein complained during the campaign about arrests of its candidates and election workers. Among those who have been arrested since their election were Christopher Nesbitt of Cookstown and Alex Massey of Belfast.

The police raided Magherafelt campaign headquarters Saturday, breaking down the door and tearing panels from walls.

■ FitzGerald Optimistic on Talks

Prime Minister Garret FitzGerald said Saturday in Cork, Ireland, that there was a chance of finding a solution that would be "just acceptable" to the Protestants and Roman Catholic communities in Northern Ireland, Reuters reported.

At the annual congress of his Fine Gael party, Mr. FitzGerald said there was no certainty that the British-Irish talks on political structures for the British-ruled province would succeed, but he described the odds as evenly balanced.

"There is a real chance that a solution can be found that will be just acceptable to both sides," he said.

Italian-Albanian Talks End

The Associated Press

VIENNA — An Italian envoy, Bruno Corti, has left Albania after a "friendly talk" with Prime Minister Adil Carani, the official Albanian news agency, ATA, reported Sunday.

Lord Carrington

Kuwait Effort on U.S. Hostages Is Reported

By Ihsan A. Hijazi

BEIRUT — Kuwait has offered to free 17 prisoners in return for the release of Americans kidnapped in Lebanon but the bargain has been rejected by Islamic Jihad because the fundamentalist group found the terms of the exchange unacceptable, according to Arab diplomats.

The problem is going to be to keep a consistent, united front in the face of what are likely to be two or three elections every year in Europe," he said. "A consistent East-West strategy within an alliance of 16 is very difficult to maintain."

NATO Ministers to Meet

NATO defense ministers will pledge this week to make a special effort to remedy deficiencies in

official dismissed the statements of the Arab diplomats in Beirut as being fanciful.

The 17 prisoners held in Kuwaiti prisons were convicted for their part in bombings in December 1983 of the United States and French embassies in Kuwait and several Kuwaiti installations.

Last week, Islamic Jihad released photographs of four Americans and two Frenchmen kidnapped in West Beirut in the last year. It also released statements threatening "terrible consequences" if demands for the release of the 17 prisoners were rejected.

According to the diplomats, Kuwait has set three conditions for freeing the prisoners: that Islamic Jihad promise not to engage in ter-

rorist activity in Kuwait or against Kuwaiti interests abroad; that the commitment be guaranteed by Iran; and that the organization release the Americans and any foreign hostages it may be holding.

Islamic Jihad reportedly replied that it accepts no restrictions on its activities from anyone, and the authorities in Tehran sent word they were not in any way involved in the matter.

Blasts in Riyadh

Islamic Jihad, in a telephone call to a Western news agency, claimed responsibility on Sunday for explosions that killed one person and wounded three in Riyadh on Saturday, United Press International reported from Beirut.

When you make a \$10 phone call from an overseas hotel, you might be leaving a \$25 tip.

Remember what a tip used to be? Money given voluntarily to someone who performed an outstanding service. Well, many overseas hotels see it differently. Because they automatically add telephone surcharges of up to 250% every time a guest places a call.

Cost of a 5-minute daytime call from Frankfurt to NY:		
Without Teleplan	With Teleplan	Savings to you
\$27.82	\$11.13	\$16.69

What can you do to avoid this? Stay at a hotel featuring Teleplan. A program set up by AT&T that insures guests fair and reasonable telephone surcharges on all calls.

So next time you travel, stay at a Teleplan hotel. Where you can be sure that making an overseas phone call won't mean making a major investment.

© 1985 AT&T Communications

AT&T

UNIVERSITY DEGREE

BACHELORS • MASTERS • DOCTORATE

For Work, Academic, Life Experiences.

Send detailed resume for free evaluation.

PACIFIC WESTERN UNIVERSITY

400 N. San Fernando Blvd.,
Los Angeles, California
90049, Dept. 22, U.S.A.

Fine
feat
AT&T

GOLDEN
HOLL

HILTON
INTER
HOTEL

Worldwide

INTER E

Switzer

Germany

LEDRA H

Nicosia

THE LYC

Broadwa

England

MANDAR

INTER

LIMITED

Hong Kong

London

Prague

Thailand

MARRIO

NOVOTE

Germany

Austria

HOTEL

ASSOC

Israel

Panama

Portugal

REGENT

INTER

HOTEL

For more

informa

on a Tele

brochure

call free

1 800 8

AMERICAN TOPICS

Job-Safety Agency Gets Low Rating

In its 15 years the Occupational Safety and Health Administration has had little measurable effect on protecting workers from accidents, according to a study by the Congressional Office of Technology Assessment. It said that frequent inspections and low penalties have provided scant incentive for companies to comply with federal safety and health regulations.

The report said that OSHA inspected about 4 percent of American work places a year, or 160,000 of 4.6 million job sites. The penalty for a "serious violation," one that could cause death or serious injury, averaged about \$172 in 1983.

About 6,000 people a year, or 25 every working day, died of injuries sustained at work, the report said. About half of the fatalities involve motor vehicles or falls.

The study found, however, that regulations had been effective in reducing the exposure of workers to a number of hazardous substances, including vinyl chloride, asbestos, cotton dust and lead.

Short Takes

Federally authorized wiretaps, which dropped from 137 in 1976, under President Gerald R. Ford, to a low of 77 in 1977, under President Jimmy Carter, have climbed each year during the Reagan administration. In 1984 they reached 289, a 39-percent increase from the previous year, despite criticism from civil libertarians. The Justice Department said that most wiretaps were used in narcotics investigations.

A hand-lettered sign about a "super" — short for building superintendent, a euphemism for janitor — was seen in the window of a brownstone row house on East 83d Street in Manhattan by Louise M. Gault and was reported to The New York Times.

WARNING — Super Throws Garbage Bags Through Window When "High"

Herman Melville's name and that of Edgar Allan Poe have been inscribed in stone in the one-year-old Poets' Corner at the Cathedral of St. John the Divine in Manhattan, joining those of Walt Whitman, Emily Dickinson and Washington Irving. The names were chosen by a jury of contemporary authors that included Robert Penn Warren and Eudora Welty. The corner is the American version of the centuries-old Poets' Corner in Westminster Abbey in London.

The only siblings in the current Congress are Senator Carl Levin, 50, of Michigan, and his older brother and fellow Democrat, Representative Sander M. Levin, 53, who represents part of Detroit and its suburbs. Their



READY FOR LAUNCH — Coca-Cola and the U.S. space agency have announced that this special container will be available to astronauts on shuttle flights beginning in July. The can cost \$250,000 to develop.

Shorter Takes: Debris and graffiti have been removed from the tomb of Ulysses S. Grant on Riverside Drive in Manhattan in time for the centennial of his death July 23. Scholars working with the King Center for Nonviolent Social Change in Atlanta have embarked on a 15-year project to assemble and publish 12 volumes of the speeches, sermons and letters of the Reverend Martin Luther King Jr.

Notes About People

Justice William H. Rehnquist of the U.S. Supreme Court suggested in a recent speech that today's lawyers have their priorities mixed up. "One suspects that Alexander Hamilton, Abraham Lincoln and William H. Seward, successful lawyers all, did not worry to the same extent as their present-day counterparts about the number of hours they had billed," he said. "Lawyer-statesmen" virtually disappeared in the century following the Civil War.

The only siblings in the current Congress are Senator Carl Levin, 50, of Michigan, and his older brother and fellow Democrat, Representative Sander M. Levin, 53, who represents part of Detroit and its suburbs. Their

paths seldom cross in the Capitol and they have sponsored little joint legislation, but they get together for squash whenever they can. Are they founding a dynasty? Says Carl, "It's not a dynasty, because our kids are too smart to continue it."

A 'Personal Reason' For Resigning Post

When Langhorne A. Motley, considered the principal architect of the U.S. invasion of Grenada, resigned recently as assistant secretary of state for inter-American affairs to return to private business, he cited "personal financial reasons."

Asked to elaborate, Mr. Motley, 47, who had been clashing with White House hard-liners over some of President Ronald Reagan's tougher speeches, said: "Running the Latin American bureau in the State Department is like being given 1,000 pounds of canaries and a box that will only hold 500 pounds. Right away, you begin banging on the sides of the box, trying to keep enough canaries in the air so that the box won't burst open. After a while, your arms get tired."

—Compiled by ARTHUR HIGBEE

Pilots Agree To Talk With United Again

By Douglas B. Reaver
Washington Post Service

WASHINGTON — United Airlines and the union representing its pilots agreed to resume contract negotiations on Monday in Chicago, as the pilots continued their strike against the largest U.S. carrier.

Negotiations collapsed in Boston on Friday, but the two sides agreed Saturday to try again at the request of Helen M. Witt, head of the National Mediation Board.

So far, most United passengers have been able to find alternative flights, according to officials at several key airports. United was able to launch 220 flights Saturday, about 14 percent of its schedule, up from 11 percent Friday.

Other carriers were quick to fill the void left by the airline, which normally carries 15 percent of U.S. air travelers, serving all 50 states and nine destinations abroad. Pan American World Airways added a flight from San Francisco to Honolulu; World Airways offered an extra Los Angeles-Honolulu trip, and PSA and AirCal announced extra flights between San Francisco and Los Angeles.

Aurak added cars to a train from Los Angeles to Portland, Oregon, and Greyhound Bus Lines said it would accept United tickets.

The issue at stake is United's desire to lower the starting wage for pilots hired in the future, then keep them on a lower pay schedule for many years.

The Air Line Pilots Association, which represents United pilots, estimates that under United's last offer before negotiations broke down, the average new United pilot would draw \$500,000 less over a 30-year career than a current pilot. The result, the union says, would be a lower-quality pilot and a divided union.

United says it needs to reduce pilot costs to remain competitive. Its revenues were about \$6.2 billion last year, or \$17 million a day.

Henry A. Duffy, chairman of the union, which represents about 4,900 active United pilots, estimated that the strike was costing the airline \$5 million to \$10 million daily. He said that only six of 500 new pilots whom United had trained had crossed the picket line.

The chairman of United, Richard J. Ferris, has said that, if necessary, he would hire replacement pilots and slowly rebuild the airline.

Mr. Duffy said that striking pilots would receive about \$1,000 a month in strike benefits, far below their average pay of about \$7,000.

Deficit Debate: A Congressional Consensus Emerges

By Steven V. Roberts
New York Times Service

WASHINGTON — The budget debate in Congress has illuminated a surprising consensus between both parties on broad questions of deficits and taxes despite the persistence of old differences over Social Security.

It is now clear that any fiscal

NEWS ANALYSIS

package that Congress passes will reduce the deficit by at least \$50 billion in the first year and will do so without raising taxes.

It is equally clear that the most serious cuts in President Ronald Reagan's proposals will be made in the military budget, and that Congress will largely reject his proposals to permanently trim the scope of government.

Both Democratic and Republican leaders are emphasizing the differences between the Senate-passed budget, which Mr. Reagan endorsed, and the plan adopted Thursday by the Democratic-controlled House Budget Committee.

Some of these differences will undoubtedly play an important part in next year's election campaign.

The speaker of the House, Thomas P. O'Neill Jr., Democrat of Massachusetts, has already accused the president and the Republicans of betraying their pledge to preserve Social Security.

The Senate majority leader,

Robert J. Dole, Republican of Kansas, assailed the House committee plan Friday as an "anti-defense, big government budget."

But the climate has changed on Capitol Hill since the first year of Mr. Reagan's term, when Democrats were outraged at his attempts to reduce taxes and restrict domestic programs. In the budget debate so far, hardly any voices from either party have challenged the president's basic demand that Congress slash the deficit.

As Representative Marge Roukema, Republican of New Jersey, said, "The president has dictated the terms of the debate."

Indeed, Democrats have boasted about the size of their deficit-cutting package. Thomas S. Foley of Washington, the House majority whip, said the Budget Committee's document "underscores the fact that the Democratic Party is very serious about the problem of the deficit."

This sort of fiscal conservatism in the Democratic ranks has frustrated Republicans, who are used to lambasting their rivals as "tax and tax, spend and spend" liberals.

Mr. Dole complained Friday that the bottom-line figures in the Senate and House budgets were so similar that American voters could not tell them apart.

The Democrats' decision to avoid tax increases has also thwarted the Republicans' political plans.

Reagan, Senators Attack House Plan

New York Times Service

WASHINGTON — The Reagan administration and Senate Republican leaders, using unusually sharp oratory, have attacked the 1986 budget drafted by the House Budget Committee last week.

David A. Stockman, director of the Office of Management and Budget, called the House committee's budget "a tale of defense, deception and default."

Robert J. Dole, Republican of Kansas and Senate majority leader, accused the House committee of using "smoke, gimmicks and other assumptions" in assembling its budget plan.

Pete V. Domenici, Republican of New Mexico and head of the Senate Budget Committee, said: "I had hoped we would get a very major proposal through both houses. I'm now doubtful we can do that."

The House committee rejected a freeze in the cost-of-living increase for Social Security and other pension and benefit programs, reduced the military budget below the Senate level and cut projected nonmilitary domestic spending in 1986 by one-third less than the Senate.

Some Democrats would clearly prefer to obtain more revenue. But with Mr. Reagan adamantly opposed to new taxes, Democratic leaders are simply not going to take the political risk.

One explanation for this policy is last year's election. After their presidential ticket lost in 49 of the 50 states, even many liberal Democrats became determined to refurbish their reputation for fiscal responsibility.

Moreover, many Democrats are genuinely alarmed about the po-

tential impact on the economy of unchecked deficits. They might blame the problem on the president's policies, but they generally agree that Congress must respond decisively to reassure the financial markets and prompt a reduction in interest rates.

Another, and less visible, explanation is that many Democrats also see the deficit as the enemy of social spending.

But if Mr. Reagan has dictated

the outlines of the budget debate, Congress is filling in those lines with a sharply different set of priorities.

For example, the president originally proposed a 6-percent rise in the military budget on top of an increase to make up for inflation, but he had to accept a Senate budget mandating an increase equal only to the inflation rate. The House version even eliminates the inflation factor, and at least 40 moderate Republicans are prepared to go along with it.

Another consensus position now visible is the rejection of Mr. Reagan's attempt to eliminate a number of government programs, ranging from Amtrak to urban development grants.

Each program fills a specific need and serves a certain constituency, and Congress is not about to root them out.

Representative Thomas J. Tauke, Republican of Iowa, said that even while Mr. Reagan was winning a stunning victory in November, the returns contained "a lot of danger signs."

"As members of Congress," Mr. Tauke said, "we want to support our president, but we want to temper his policies. That's what we believe our constituents are saying, and that's what is happening on the budget."

20% Minimum Tax Reportedly Urged In New Administration Draft Plan

By Anne Swanson
Washington Post Service

WASHINGTON — A draft copy of the Reagan administration's tax-simplification proposal calls for a 20-percent minimum tax on individuals and corporations.

The document, obtained Friday from congressional sources, says the minimum tax is necessary in part because so many loopholes had been restored in the new version of the tax plan. It was feared that this would have allowed some corporations and individuals to still pay little or no taxes.

The document consisted of copies of chapters in the new proposal. The tax plan is still subject to alteration before President Ronald Reagan announces it on May 28.

Treasury Department officials refused to confirm or deny that this draft represented the latest version. The November tax plan called for the repeal of the existing minimum tax on individuals and companies on the ground that a simplified tax code that wiped out nearly all tax loopholes would make a minimum levy unnecessary.

The new draft acknowledges that because many loopholes have been restored, a minimum tax is more attractive.

Both the corporate and individual minimum taxes would be "alternative" taxes. Taxpayers would calculate their taxes using the regular method and the minimum-tax method, then pay whichever was greater.

The House is expected to vote this week on a minimum-tax amendment to the congressional budget resolution. Congressional Democrats are sharply divided over whether to use a minimum tax to raise revenue, use it to offset lower rates as part of tax revision or to leave it out of tax overhaul.

Details of Reagan Plan

Peter T. Kilborn of The New York Times reported from Washington:

President Reagan has decided that, under his tax revision proposal, only families with more than \$70,000 of taxable income would be subject to the highest tax rate of 33 percent, an administration official said Friday.

The official added that the plan's lowest rate would apply to taxable income of up to about \$30,000. The middle rate of 25 percent would apply to taxable income between \$30,000 and \$70,000, he said. There are now more than a dozen tax rates, ranging from 11 percent to 50 percent.

The official, who spoke on the condition that he not be identified, added that Mr. Reagan had ruled out a lower maximum rate, despite appeals from some members of Congress. The chief advocate of a lower top rate has been Representative Jack F. Kemp, Republican of New York.

The president is planning a drive to sell the tax revision program, beginning with a television address May 28 and visits to various cities.

White House officials have said that Mr. Reagan wants to use his tax overhaul as a means of gathering political support for Republicans among blue-collar and ethnic voters.

This was underscored Friday in a

IRS Shreds Tax Appeals, Fails to Answer Them

Los Angeles Times Service

LOS ANGELES — Internal Revenue Service workers in Fresno, California, shredded 50,000 appeals from taxpayers this year without answering them, IRS officials have confirmed. Destruction of the documents runs counter to IRS policy.

The letters were from businesses disputing notification that they owed additional taxes, IRS officials said Friday. After it was determined that the businesses were correct, their letters were destroyed. An IRS spokesman, asked how the taxpayers were to interpret the lack of response, said: "I would say, 'No news is good news.' I would assume there wasn't any further problem."

CIAO



Houbigant-Paris

Fine hotels featuring AT&T Teleplan:

GOLDEN TULIP HOTELS
HOLLAND

HILTON
INTERNATIONAL
HOTELS
Worldwide

INTER EUROPE HOTELS
Switzerland
Germany

LEDRA HOTEL
Nicosia, Cyprus

THE LYON ARMS HOTEL
Bromsgrove, Worcestershire
England

MANDARIN HOTELS
INTERNATIONAL
LIMITED
Hong Kong
Indonesia
Philippines
Thailand

MARRIOTT HOTELS

NOVOTEL HOTELS
Germany
Austria

HOTEL
ASSOCIATIONS OF
Ireland
Israel
Panama
Portugal

REGENT
INTERNATIONAL
HOTELS

For more
information
or a Teleplan
brochure call
toll free
1 800 874-4000.



Discover gold

Benson & Hedges
Special Filter
The world's finest taste in cigarettes

Created and perfected by the House of Benson & Hedges

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

A Chapter Ends in Italy

The difficult alliance between Italy's long-predominant Christian Democrats and the small Socialist Party of Prime Minister Bettino Craxi has been confirmed and strengthened; it will dominate Italian politics in the coming months, and perhaps for years. The Communists suffered a telling defeat at both national and the local levels. In summary, the meaning of the regional, provincial and municipal elections of May 12.

Mr. Craxi is likely to stay on for some time with the help and toleration of the Christian Democrats. In August he will have been in office for two years; only two other governments in the republic's 40 years have had a comparable life span. When he took office, Mr. Craxi said he intended to last three years. The prediction was widely ridiculed at the time but is taken seriously now.

A fellow Socialist, Sandro Pertini, the 88-year-old president of the republic, is less likely now to win re-election. His seven-year term is almost over. The presidential election will be held in parliament late next month and the Christian Democrats are claiming the presidency again.

They will argue that there is no point in having Socialists in the country's two highest positions. Mr. Craxi, whose relations with Mr. Pertini have never been good, will agree, especially if it means a Christian Democratic commitment to prolong his stay as prime minister. The Communists have been Mr. Pertini's strongest backers.

The front-runner among the Christian Democratic hopefuls is Arnaldo Forlani, 59, a former prime minister and foreign minister. He has long strongly advocated alliance with the Socialists and opposed the "historic compromise" — the policy of cooperation with the Communists advocated by Aldo

Moro, the former prime minister who was killed by the Red Brigades in 1978.

As in all Italian elections since the war, few voters actually switched party allegiance. The Socialists have won 13.3 percent of the vote in the regions, a gain of 0.6 percentage points from the previous regional elections in 1980. The Communists polled 30.2 percent, a loss of 1.3 points from 1980. The Christian Democrats, although they have been declared the principal winners by friend and foe, took 35 percent, down 1.8 points. Their success lay in the fact that they came in far ahead of the Communists and did better than at their recent low points.

The strength of the alliance between the Socialists and Christian Democrats was tested and found to be solid in the cities, many of which had been governed by Communist-Socialist coalitions. Mr. Craxi and Ciriaco De Mita, the Christian Democratic Party's secretary-general, agreed before the elections to replace these leftist coalitions with alliances of their own wherever possible.

The Communists' countrywide decline was pointed up by the fact that leftist voters in the cities did not flock to them to compensate for the desertion by the Socialists. In Rome, which has had a Communist-led city government for 10 years, the Christian Democrats came in first and will head the city government. In many other cities, new local government coalitions involving Socialists, Christian Democrats and the three other parties represented in the national government will be negotiated. The Communists' domination of the country at the local level, which lasted 10 years and compensated the second-largest party for its exclusion from the national government, is over.

INTERNATIONAL HERALD TRIBUNE.

Israel: Apparently Guilty

Israel's response to the evidence that it illegally acquired 800 nuclear bomb triggers from the United States is that it did not know that the shipments needed a license, that it cannot reveal why it needed the devices but would swear in writing that the purpose was non-nuclear, and that it will, if asked, return the large number of switches not yet consumed.

Sad to say, a confession of guilt leaps from these responses. The United States deserves better from an ally, and the cause of nonproliferation requires a concerned reaction.

The tiny switches, called krytrons, can deliver a precise amount of electrical current in as little as a millionth of a second. They are said to have some nonmilitary uses — in oil exploration and high-energy lasers, for example. But they are most valuable, although not essential, as nuclear bomb triggers, which is why their export is carefully policed. They are produced by only one American manufacturer, which takes care to warn purchasers against exporting them without a government license.

A federal grand jury in California has indicted a businessman, Richard Kelly Smyth, on charges of illegally exporting 800 krytrons to Israel in batches of 10 to 50 between 1980 and 1982. Israel's Defense Ministry acknowledges receiving them, denies complicity in smuggling and censors news about the affair.

Obviously, Israel has no innocent explanation. If the purchases were inadvertently illegal and for permissible purposes, it would apologize, state the purposes and request a retroactive license, not propose giving back the goods. Returning uneaten cookies to a jar is not usually proof of innocence.

The problem now is how to balance indignation with respect for an ally. When a Pakistani

agent was convicted of a similar evasion last year, the Justice Department actually helped to cover up the agent's connection to a friendly government, aborted his shipment and sent him home. But the United States also tightened up its export controls, and some members of Congress urged a law to deny aid to any nation that circumvents them.

This policy of harassment is useful to retard the spread of nuclear weapons. It is at best a delaying action, but every year gained buys time for diplomacy. Even in building their nuclear "devices," Pakistan, Israel and other nations take care to preserve the constructive fiction that they are not quite weapons. That fiction at least prevents them from presenting their neighbors with an open threat of nuclear war, and reduces the provocation to other nations to build nuclear weapons of their own.

Israel recognizes the value of this much restraint. It promises not to be the first to "introduce" nuclear weapons into the Middle East. By its reaction it has shown how provocative an adversary's buildup can be: When it learned in 1981 that an Iraqi reactor could make weapons, Israeli planes destroyed it.

Thus the world has managed to stigmatize nuclear weapons as still different from all others. Everyone knows that any number of nations are nonnuclear in name only. Yet as long as their arsenals are relatively primitive and unacknowledged, there is hope of averting nuclear wars. To preserve the stigma, signs of the nonproliferation treaty need to be closely policed, while non-signers, like Pakistan and Israel, need to be harassed. When they are caught improving their "devices," they have to be shamed and spanked.

— THE NEW YORK TIMES.

The Israelis have said that some krytrons have been used for military purposes but only for research with conventional weapons — specifically, range-finders using lasers. They have also said that those krytrons still in inventory, presumably unused, will be returned to the United States. How about the others?

Both Israel and Pakistan belong to the short list of countries that possess unacknowledged nuclear weapons or are trying to build them. The evidence suggests that Israel has for many years had weapons in the final stages of assembly, capable of being completed very quickly in an emergency. Pakistan is not nearly as close to having weapons, but, despite denials, is clearly moving toward them. Both have nuclear laboratories and reactors that they refuse to open to international inspection, the basic safeguard by which countries demonstrate intentions regarding nuclear weapons. Neither has signed the nonproliferation treaty.

Both American law and common sense require a high level of U.S. vigilance to maintain stringent control of exports that might prove

useful to weapons builders. The international effort to dissuade governments from building these weapons has been on the whole successful over the years, but it has required a great deal of hard work by politicians, diplomats and, as in Los Angeles, policemen and prosecutors. That work is necessary.

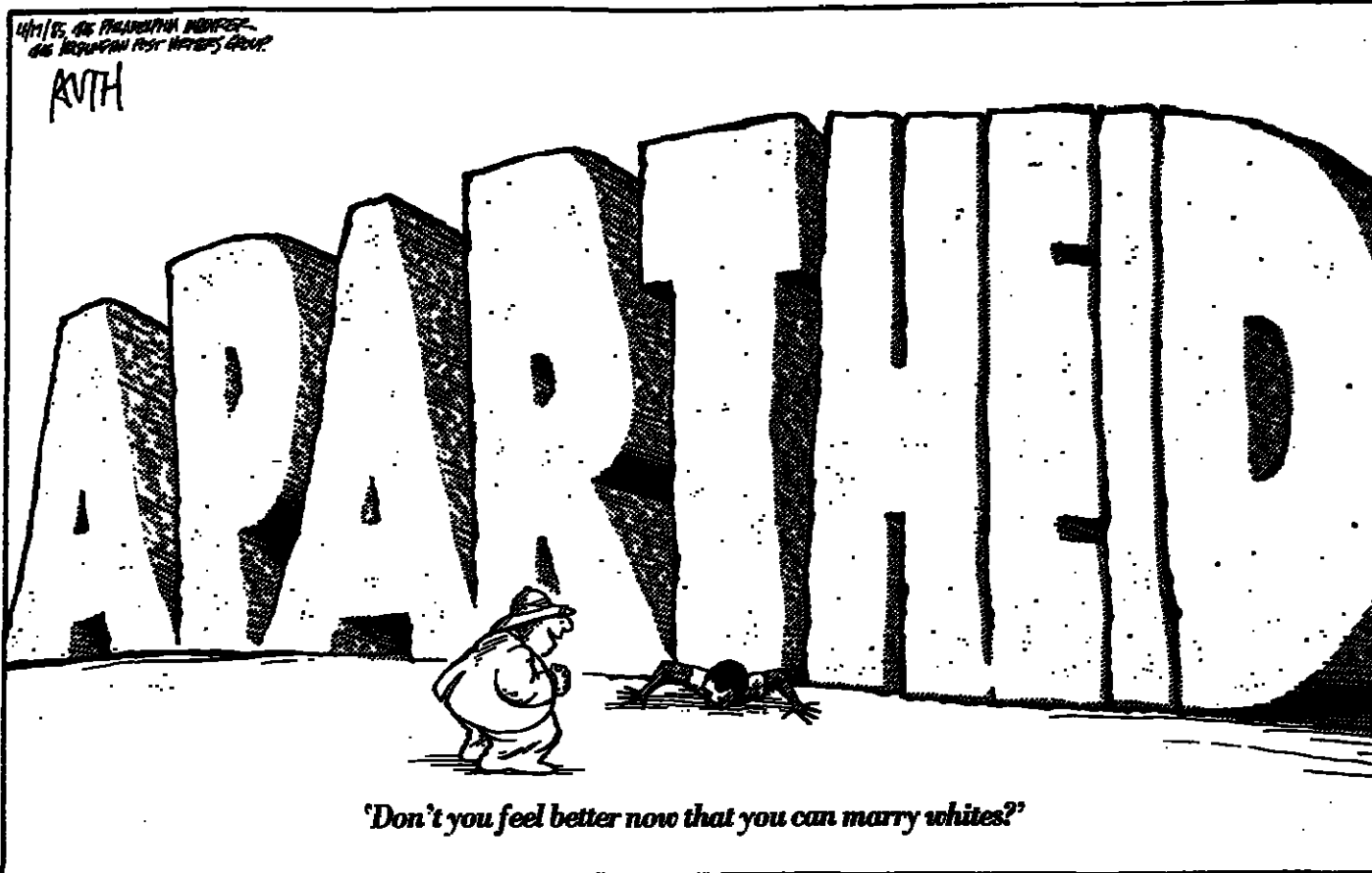
Each country that obtains these weapons becomes a reason for others to attempt to get them. India's explosion of its nuclear "device" in 1974 — India claims the thing was peaceful, not a weapon — became an incitement to Pakistan to match it. Both Pakistan and Israel are in regions of great tension and longstanding hostilities. The United States has applied the same rules to both. Having failed to curb the illegal shipments to Pakistan, unlike the similarly illegal shipment to Pakistan, the United States must now ask to have these devices returned — all of them. These krytrons are a small element in the struggle to prevent nuclear proliferation, but in this endeavor even the small elements are crucial.

— THE WASHINGTON POST.

FROM OUR MAY 20 PAGES, 75 AND 50 YEARS AGO

1910: So Much for Halley's Comet
PARIS — Comets' tails, if they behave as that of Halley's comet did [on May 19], need not disturb even the most timid when they whisk over the terrestrial sphere. The earth, there is every reason to believe, passed through the tail of the comet, and, despite careful preparations and vigilant attention, there was practically nothing to record. Registering instruments recorded no variations. Temperature and atmospheric pressure seemed normal. And then, here in Paris, light rain began, certainly the most normal of all natural phenomena this year. In fact, nothing to remark.

1935: 51 Die as Russia Loses Plane
MOSCOW — Broken metal scattered in fields and piled up in a demolished farmhouse was all that remained of the world's largest airplane, the Maxim Gorky, which crashed [on May 18], snuffing out 51 lives. Tribute was paid to the crew as mute evidence of the wreckage disclosed that the switches on all eight motors had been cut, indicating that the pilots had cut the ignition after the collision with a stunt plane above the Moscow airport to prevent the explosion of the fuel tanks. There was no evidence as to what caused the explosion that rent the plane into three parts.



"Don't you feel better now that you can marry whites?"

Lo, America's President Turns Into a King

By William Pfaff

PARIS — When the president of the United States travels abroad, his tastes proceed him, trying the food he is to eat, overseeing the preparation of the banquet he will attend. At the dinner given by West Germany's president in Bonn on May 4, American security men told German officials where they could and could not move about.

The president of France was blocked in his car for 20 minutes because the U.S. Secret Service would not move President Reagan's backup car. Jews protesting Mr. Reagan's Bitburg cemetery visit were dragged away from the Bergen-Belsen concentration camp on Secret Service orders. These U.S. personnel were "like Roman legionnaires in a foreign country," a German said. Another official said, "They behaved like apes."

What does this remind you of? When Louis XIV, the Sun King, dined at Versailles, an equestrian taster his food in the kitchen. The king's meal — *la viande du Roi* — was delivered from kitchen to table, across a courtyard, preceded by two royal guards, an usher, the maître d'hôtel with his stick, the gentleman-servant of the pantry, the general supervisor of same, the assistant supervisor. Then came the meat, and after that a second equestrian and two more guards. A courier encountered the meat on its way was obliged to remove his hat and bow to what the king was about to design to eat.

The founding fathers of the American republic considered setting up a monarchy but decided, in all gravity, not to do so. George Washington refused a crown. He was too modest — or he merely saw that the time was not yet ripe.

Today, in fact but not in name, the United States has a king (or an emperor) surrounded by pomp, protocol and protection that would have astounded the *Roi Soleil* and appalled the authors of the American constitution. There are courtiers — still fawning, one fears — and courtiers' courtiers.

There is the mighty and dreaded Washington press corps to chronicle every mood and humor in the royal progress, every step and misstep, to search for every inconsistency between what the August Personage, his scribes and his ministers say today and what they said yesterday. Ostensibly these reporters are the proxies and protectors of the people, like the aristocrats always present at royal births to witness to legitimacy; actually they give further testimony to the quasi-divinity of the figure to whom their professional lives are devoted.

But the president of the Swiss Confederation, which is not a global power but an inconsiderable one either, jostles with other guests to get his coat from the cloakroom at concerts. The president of the French republic takes his friends to dinner in restaurants and leaves the quality of his food to the chef. The queen of England goes out with a detective to accompany her, and the heir to the throne gets knocked off his horse at polo.

It was not so long ago that such things happened in Washington — in republican, pre-imperial Washington. Harry Truman used to take brisk walks through the city. A recent letter to a newspaper told of the writer's father driving under the White House portico in the 1930s to put his car's top up in a rainstorm. An usher came to the door politely to inquire what he wanted.

Ah, the reader may say, but times today are different. They are; but not that much. There are terrorists today, but there were terrorists yesterday, and the great and murderous American Nazi, who shoots famous people to give a little meaning to his life, has always been with us. Puerto Rican Nationalists attacked Blair House in 1950 to try to kill Harry Truman, but he went on taking walks.

Franklin Roosevelt was attacked in 1933 and Chicago's mayor took the bullet and died. Lincoln, Garfield, and McKinley were all shot.

Terrorists are nothing new. Between 1890 and 1914 assassins killed the empress of Austria, the president of France, the king of Italy, the president and vice president of Mexico, the king of Greece, the prime minister of Spain, President McKinley and the archduke of Austria. That is a more imposing record than Colonel Qaddafi, the PLO, the Bulgarian secret service and the Reader-Meinhoff gang can claim, all together.

What is so new in the American situation that the head of the executive branch of government has to be given the obsequious attention and obsessive protection of a monarch, while allied chiefs of state are treated as vassals, expected to bow to the king's meat — or to his backup limousine?

There is an intelligent and experienced vice president, and a line of succession assuring that America would have a president even if a dozen men and women were assassinated in turn. There are, to be blunt, plenty more where this one came from. The halls of Congress and the statehouses are crowded with people who want desperately to be president — and have the qualifications, such as they are. A new election comes every four years.

What has changed in American life that Americans should pay such servile, even obscene, attention, then, to the presidential incumbent, his wife, his entourage? Mr. Reagan, Mr. Carter, Mr. Ford — these are ordinary and decent men placed by the people, for a few years, at the top of the insecure pile of American politics. Why are they treated like gods? Who is being flattered or appeased? The people themselves? Is that what it's all about? Is it national ego, self-adoration, self-aggrandizement? I don't know, but I think it is time that it stopped.

© 1985 William Pfaff.

With the Soviets, You Don't Negotiate in a Hurry

By Kenneth L. Adelman and Charles A. Sorrels

Mr. Adelman is director of the U.S. Arms Control and Disarmament Agency. Mr. Sorrels is senior policy adviser to the agency. This is the second of two parts.

appeared ready to agree to pull back all Soviet forces from Austria. The diplomatic action then moved to Vienna. It quickened during the first half of May 1955 and culminated in a treaty on May 15. No mention was made of dried peas.

The main stumbling block was the age-old one, reparations. In Vienna the Soviet Union still wanted to re-

as an appealing neutral alternative to militarized alliance with the United States. They also sought to discourage West German rearmament — a constant, then particularly poignant Soviet fear — as a critical component of NATO's forward defense.

Regardless, the Soviets moved and we were wise enough to strike a good, even if not perfect, deal. Thirty years later it still stands the test of time as a good deal. That is no mean feat, especially in the postwar history of negotiating with the Soviets.

We hope that someday we can attain an equal level of success in our efforts to greatly reduce nuclear weapons and increase stability in the world. American and Soviet negotiators in Geneva have met together for about six weeks to discuss arms control issues. The negotiations are scheduled to begin again soon.

Because we believe that reducing nuclear weapons is such a crucial goal, it is easy to grow impatient with the process — to want to sign an agreement in several months or a year's time. Certainly the American people and others place high hopes on our achieving quick results. That desire is not surprising, but we should not allow it to pressure us into hasty moves or unwise schemes. Certainly, if over 30-year-old success in Austria has taught us anything, it is that reaching effective agreements with the Soviet Union is a long, hard road. Worthwhile results do not happen overnight.

George Bernard Shaw wrote that "peace is not only better than war, but infinitely more arduous." Our experience in negotiating Austria's freedom makes this clear. Thirty years later we find ourselves pursuing an even more arduous task — guiding our world of the nuclear threat and ushering in a new era of peace and stability. If we heed the lessons of the years leading to 1955, our efforts can be even more promising.

International Herald Tribune.

Because we believe that reducing nuclear weapons is such a crucial goal, it is easy to grow impatient with the negotiating process.

tain, for up to 30 years, most of the valuable Austrian oil properties, and it wanted to own in perpetuity the Austrian Danube shipping, including its docks. In Moscow in April the Soviets reached an economic accord with Austria that included Austrian payment of 10 million tons of oil to Moscow over 10 years, \$2 million for Danube assets and \$150 million in return for other "German assets" in Austria. Everything seemed set.

But then again it was not. At the last minute the Soviet representative in Vienna refused to modify the text of the treaty to reflect the Austrian-Soviet accord reached the month before. In effect the Soviets wanted to be free to reoccupy Austria, based upon asserting remaining legal rights to economic assets there.

On May 10, 1955 — a mere 5 days before the scheduled signing ceremonies — Secretary Dulles took a valiant decision: No way. He would not come to Vienna, and America would not sign, unless the treaty was modified to incorporate the Moscow economic accord of April. At the last moment the Soviets consented.

Yet another lesson: No treaty is perfect or controversy-free.

In the end Austria did in effect pay reparations to the Soviet Union — contrary to basic policy of the United States and Britain, and contrary to what the Soviets had formally agreed at Potsdam in August 1945.

Not unexpectedly, this became a bone of contention in the ensuing Senate hearings. Senator Mike Mansfield told Mr. Dulles, "I am going to vote for this treaty, Mr. Secretary, but it seems to me that it is an extremely high price for a friendly, democratic country such as Austria to pay." Senator Hubert Humphrey made a similar point: "My concern, sir, is registered because of the drain of a certain amount of commodities to the Soviets in the form of what you may call payments or reparations."

Secretary Dulles faced the issue squarely. "It is not perfect in that respect. We would, of course, have been much happier and the Austrians would have been much happier

Nigeria's Crowded Ports

In "Nigerians Prevent Unloading of Emergency Food for Chad" (April 29), it was reported that officials of the UN World Food Program had complained that ships loaded with emergency food aid for more than 1.5 million hungry people in landlocked Chad had been prevented from unloading at Nigeria's main port.

In a special report on Nigeria (March 12) you noted Lagos port

congestion and stated that "among the causes of the Nigerian Port Authority's organizational problems are the following: the simultaneous arrival of delayed 1984 imports, a million tons of fertilizers for the coming planting season, large amounts of food aid for Chad and Niger, and Nigeria's own food imports. Each category of goods is deemed urgent."

Apart from pointing out that the March 12 report explains the problems that the Nigerian authorities face (and are doing all in their power to sort out), we consider it necessary to reiterate Nigeria's commitment to the well-being of the African continent. It is in view of that commitment that the head of state, Major General Murtala Mohammed, promised in January 1983 to cooperate with the United States by providing port facilities for transit of relief materials to drought-affected countries.

When Iraq Speaks Up For Israel

By Philip Geyelin

WASHINGTON — "We must use our machine guns . . . to free Jerusalem . . . The day will come that everyone wishes to be a resident of [Jerusalem] . . . Israel must be banished from the face of the Earth." Those jolly quotations are printed on the edges of a brightly colored map of the Middle East. Copies by now should be in the hands of every member of Congress and the key people at the State Department.

The words alone would suggest an Israeli effort to unmask the true purposes of the PLO. But the distributor is Nizar Hamdoun, the Iraqi ambas-

Mr. Hamdoun's map reflects a positive side of U.S.-Iraqi relations.

sador to the United States. His target is Islamic fundamentalism in general and the Iranian regime in particular. Mr. Hamdoun claims — and experts who have seen the document have no reason to doubt him — that the map was taken from captured Iranian revolutionary guards.

If nothing else, the map, and the use the ambassador is putting it to, are graphic reminders of the Middle East's endless potential for upheaval, for sometimes subtle and sometimes sharp realignments; for the posing of new threats from new directions, as well as of new opportunities.

The war between Iraq and Iran has raged on and off for four and a half years with neither side demonstrating the ability to win conclusively. Yet Mr. Hamdoun is not alone in his concern over the larger aims of the ruling Shiite fundamentalists in Iran.

The tracing by U.S. intelligence of devastating terrorist acts in Lebanon through Syria to Iran suggests that the Iranians do not have to win the war to be a menace to the area. Shiite extremists are an active threat in Lebanon. American as well as Iraqi analysts share a worry that Iran may out its frustration with the war with Iraq by making a move on Kuwait.

Thus a prominent American Arabist finds Mr. Hamdoun's map "very interesting," if only in the sense that it brings the fanatic public rhetoric of Islamic fundamentalism into tight focus. That Israel is on the Iranian hit list is no surprise. So are almost all of America's Arab friends, most notably the monarchies and sheikhdoms sitting on the vital oil resources of the Gulf. But Iranian fundamentalist indoctrination has to be running deep when the ayatollah's revolutionary guards are carrying out battle so explicit a statement of their mission.

You would expect the map to show its five arrowhead green-and-yellow bands sweeping out of Iran and converging on Baghdad. You might not expect to see three huge arrows thrusting westward at Jerusalem, or to find the Iranian future for the Gulf conveyed by designation of Saudi Arabia on the map as "Arabistan."

The conclusion that official Washington is being invited to draw from this bit of evidence is that Iraq stands as a vital bulwark defending American interests in the Middle East, including not only the Moslem elements but also Israel. What then?

Iraq's objective is modest. Mr. Hamdoun insists. With its Moscow connection, its dependence on Soviet arms and its professed devotion to nonalignment, it has no expectations of material U.S. support. But it would welcome a shift of U.S. policy away from strict "neutrality." Specifically, it would like America to use its influence on Europeans, Japan and others of its friends who continue to sell trucks, small boats, light aircraft and other items to Iran.

With an eye to a post-Khomeini Iran, the Reagan administration has been careful not to choose sides. So a conspicuous "tilt" to Iraq now is unlikely. U.S. policy, which has yet to be put to a test by the inconclusive ebb and flow of battle, is a negative: It does not want Iraq to lose.

But Mr. Hamdoun's map reflects a positive side to U.S.-Iraqi relations that few would have forecast four years ago. Then Iraq was seen as the instigator of the war with Iran, the shrewdest fund raiser of terrorism.

By the time that diplomatic relations were re-established between the United States and Iraq last November after a 17-year break, Iraq had tempered its public stance on a solution of the Arab-Israeli-Palestinian conflict. It had largely rid itself of the "terrorist" image. It had moved closer to restoring relations with Egypt and identified itself more clearly with the "moderate" Arab camp.

That it should now be presenting itself, for whatever reasons of expediency, as a credible line of defense against threats to Iran's security is one more sign of that never-ending Middle East potential for change.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Nigeria's Crowded Ports

In "Nigerians Prevent Unloading of Emergency Food for Chad" (April 29), it was reported that officials of the UN World Food Program had complained that ships loaded with emergency food aid for more than 1.5 million hungry people in landlocked Chad had been prevented from unloading at Nigeria's main port.

In a special report on Nigeria (March 12) you noted Lagos port

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

In addition to Lagos ports, the Nigerian authorities have advised shipping companies to make use of Port Harcourt and Calabar ports, which are relatively less congested.

They also claim the agencies concerned to notify or apply in time to the authorities to facilitate the clearance at ports or through the land borders with Nigeria's neighbors.

M.O. LAOSE, Press Attaché, Embassy of Nigeria, Paris.

A Protesters' Memorial?

As regards the suggestion by Tom Hayden, the California legislator, for a monument to be erected in honor of America's Vietnam War protesters (People, April 26), I agree with the idea of a monument, but it might best be placed in Red Square.

FRANK McGEARY, Bethesda, Md.

INTERNATIONAL HERALD TRIBUNE

JOHN HAY WHITNEY, Chairman 1958-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

LEE W. RUEBNER, Publisher

Executive Editor: PHILIP M. FOISIE
Editor: SAMUEL ABT
Deputy Editor: ROBERT K. MCCABE
Deputy Editor: CARL GEWIRTZ

Associate Publisher: REINE BONDI
Associate Publisher: ALAIN LECOUR
Associate Publisher: RICHARD H. MORGAN
Director of Operations: STEPHAN W. CONAWAY
Director of Circulation: FRANCOIS DESJARDINS
ROSE D. KRAEMER, Director of Advertising Sales

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 747-1265. Telex: 612718 (Herald). Cable Herald Paris. ISSN: 0294-8052.
Directeur de la publication: Walter N. Thayer.
Asia Headquarters: 24-24 Hennessy Rd., Hong Kong. Tel.: 3-25618. Telex: 61170.
Munich: Dr. U.K. Roth, Munich, 81 Longwood, London W.14, England. Tel.: 01-262-0000.
Gen. Mgr. W. Germany: W. Lauerbach, Frankfurt 15, 6000 Frankfurt/M. Tel.: (069) 76753. Telex: 416721.
S.A. au capital de 1,200,000 F. RCS Nanterre B 712021126. Commission Paritaire No. 61337.
U.S. subscription: \$122 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
© 1985, International Herald Tribune. All rights reserved.

JPK 00150

Nicaragua Steps Up Raids on Rebels On Honduran Border, U.S. Aides Say

By Bill Keller
New York Times Service

TEGUCIGALPA, Honduras — Hostilities along the Nicaragua-Honduras border have widened dramatically in recent weeks, according to U.S. military and diplomatic officials here, with Nicaraguan troops crossing the border for the first time in force to pursue rebels operating from sanctuaries in Honduras.

The U.S. officials said that the troops had clashed repeatedly with the Honduran Army and that their artillery bombardments across the border had forced up to 1,000 Honduran civilians to flee their villages. They added that groups of up to 200 Nicaraguan soldiers at a time had been seen in Honduras.

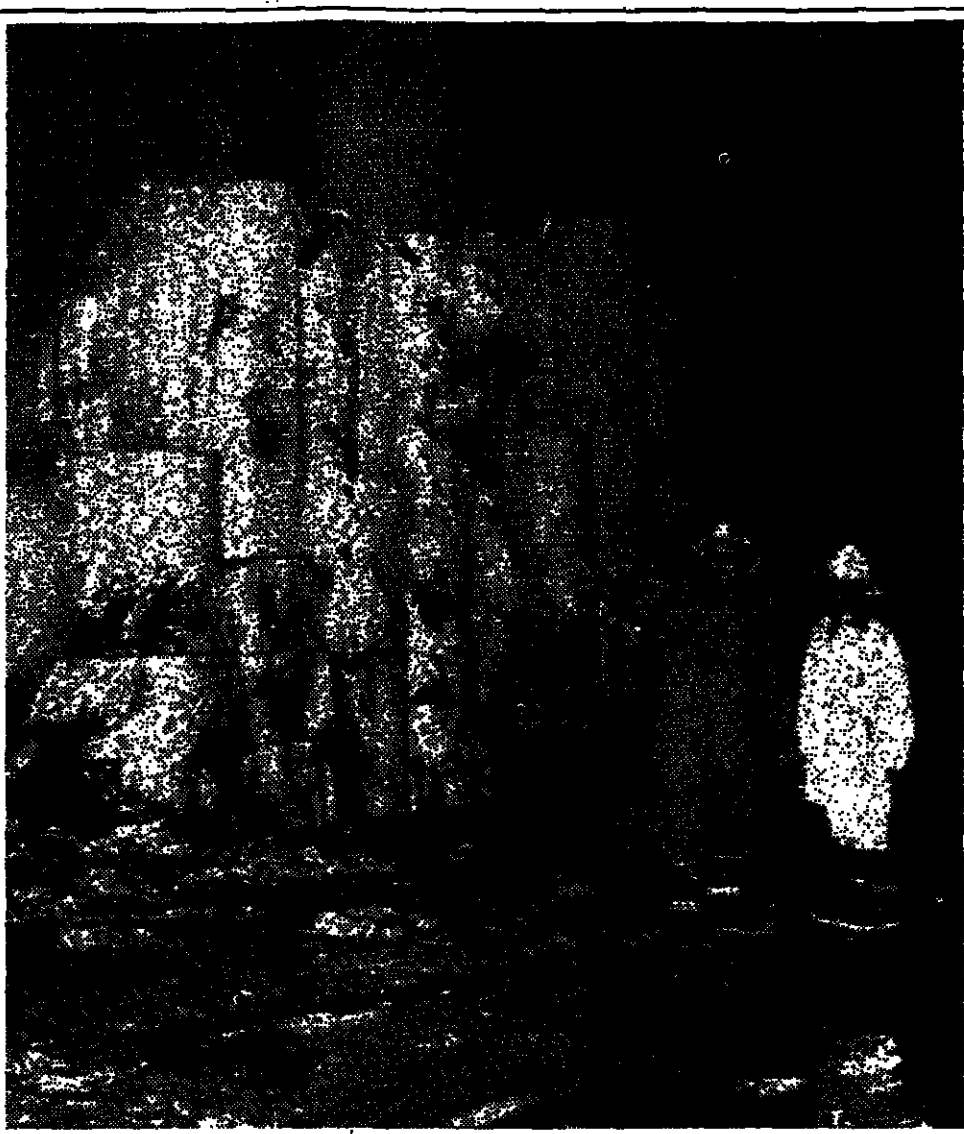
In Managua, the chief of intelligence for the Nicaraguan Army said in an interview that shelling and skirmishes across the border were unavoidable as long as Honduran rebels, known as "con-

tras," to operate from camps on the Honduran side.

The intelligence official, Commander Julio Ramos Argüello, said that rockets sometimes crossed the poorly marked border into Honduras and that Nicaraguan infantry battalions "might have" conducted thrusts across it.

"In this sort of fighting, it is very difficult to say, 'Don't fight on that side,'" Commander Ramos said. He added that the Nicaraguan government had warned Honduras to force the rebels back from the border, since the proximity of rebel camps to Nicaraguan territory made it impossible "to avoid that once in a while a bullet goes across the border."

U.S. and Nicaraguan officials agreed that Nicaragua's Sandinist government troops had scattered the rebels from their stronghold. The major rebel headquarters, called Las Vegas, in south-central Honduras, was disbanded this month and groups of rebels have



FACTORY ATTACK — Firemen battled a blaze at a paper factory outside Lima after it was firebombed by guerrillas. The guerrillas, believed to be members of the Maoist Shining Path, also sprayed the factory with machine-gun fire, wounding five workers.

Threats in Philadelphia Cited by Mayor, Others

Compiled by Our Staff From Dispatches

PHILADELPHIA — Mayor W. Wilson Goode has increased police surveillance of the group MOVE because of fears of reprisals by its members and sympathizers following the police attack on MOVE headquarters that left 11 persons dead, a spokeswoman said.

"There have been threats and there are continuing threats," the mayor's spokeswoman, Karen Warrington, said Saturday.

The bombing of MOVE headquarters May 13 led to a fire that destroyed 53 homes and heavily damaged eight others. The 11 persons killed were presumed to be MOVE members.

In a related development, the U.S. secretary of housing and urban development, Samuel R. Pierce Jr., has pledged federal aid of \$1 million to help the estimated 270 residents left homeless by the fire.

Mayor Goode's office confirmed that police had begun surveillance of two other fortified MOVE houses. It was not known how many people lived in the houses.

"I believe that there is a potential for additional violent confrontation between MOVE members and the city," the mayor told the Philadelphia Daily News. He said "acts of revenge" were possible.

"We have a very dangerous group here," Mr. Goode said in a separate interview with ABC News. He said there had been "threats of all kinds already against the lives of many people, including the mayor."

The fire commissioner, William Richmond, also said his life had been threatened.

Fourteen known MOVE members are in five Pennsylvania prisons. Nine of them are serving sentences in connection with the fatal shooting of a police officer in a confrontation in 1978.

Mr. Pierce, who toured the devastated area Friday by foot, said the \$1 million in federal aid was to be used for construction of new homes and rehabilitation of damaged ones. Additional aid, consisting mostly of Housing Department subsidies, is to provide temporary housing while the area is being rebuilt.

The \$1 million comes from a "discretionary fund" at Mr. Pierce's disposal as head of the Housing Department, aides said.



Samuel R. Pierce Jr.

moved northeast along the border in search of new avenues for strikes into Nicaragua, the officials said.

U.S. officials said that the Honduran Army had proved ineffective in containing the Sandinist incursions. They said that the Hondurans had been hampered, by their lack of adequate troop helicopters, maps and communications.

The Honduran military is undergoing an intensive U.S. training program. The United States is providing \$62.4 million in military aid to Honduras this year and is pledged by treaty to protect the country against invasion.

In a confrontation last week near the Honduran town of Arenales, U.S. officials said, one Honduran soldier was killed and four were wounded in a firefight with a Sandinist patrol inside Honduras.

Although the Hondurans have a well-regarded air force, trained by French, U.S. and Brazilian planes, they have been reluctant to send air power into the mountainous border area, U.S. military officials said.

The officials said that the Honduran pilots did not have navigational maps of the area and were wary of Nicaraguan patrols armed with Soviet SAM-7 surface-to-air missiles.

In addition, they said, the Hondurans fear the domestic political turmoil that might result if there is a further widening of the fighting.

U.S. officials said that Honduras had been slow to make an issue of the Sandinist border crossings because they were "embarrassed" that they cannot control them.

In Panama last week, the Nicaraguan deputy foreign minister, Victor Hugo Tinoco, said that Nicaragua had asked the Contadora group of four Latin American countries to send a team to investigate the recent border clashes. The Contadora group, comprised of Mexico, Panama, Colombia and Venezuela, is seeking a peaceful resolution of conflicts in the region.

Meanwhile, both U.S. and Nicaraguan officials said that the battle momentum had turned sharply against the Nicaraguan rebels.

Commander Ramos said that the Sandinists had counted 1,200 guerrilla dead and wounded in the past two months and that 90 percent of the forces operating in the border area — estimated at 10,000 to 15,000 guerrillas — had been driven into Honduras.

Nicaraguan and U.S. officials agreed that U.S. troops had stayed clear of the conflict. About 1,200 U.S. troops share a base with Hondurans at Palmarola, in central Honduras, and travel the country on training maneuvers and intelligence-gathering activities.

'Boat People' in China: Some Are Still Unhappy

By John F. Burns
New York Times Service

BELING — Of the millions of Vietnamese who have fled their country by boat or on foot since the Communist victory in 1975, few have attracted less attention around the world than the 280,000 who came north to China.

Among Vietnamese populations abroad, those in China are second in numbers only to those in the United States. Although the overwhelming majority of them are of Chinese ethnic descent, settling down has not always been easy, and years after arriving thousands still are actively seeking acceptance elsewhere.

A glimpse into the lives of people in China's only refugee community of any size was provided recently by Paul Hartling, the United Nations high commissioner for refugees, who discussed the matter at a news conference during a visit that included talks with senior Chinese officials, visits to refugee camps and the signing of a new aid agreement.

Mr. Hartling, a former Danish prime minister, announced that the United Nations would give an additional \$12 million from 1986 to 1988 to help China resettle the Vietnamese. It would bring total UN assistance to the Chinese authorities to more than \$51 million since 1978.

According to the Chinese, the UN assistance is barely a quarter of what the Beijing government has spent on the problem — more than 600 million yuan (\$211 million). Much of this has been invested in the 196 state-run farms to which China has directed most of the Vietnamese citizens.

Mr. Hartling said that the UN agency considered a resettlement program a success when 80 percent of those involved were satisfied with their new lives, a criterion that he said had been met among the Vietnamese in China.

But he acknowledged that about 20 percent of the refugees remained unhappy, with a large number still requesting transfer to other countries, mainly the United States, Australia, Britain, Canada or France.

The refugees are concentrated in four Chinese provinces, Yunnan, Guangdong, Fujian and Jiangxi, and in the Guangxi Zhuang autonomous region. At most of the collective farms they form a distinct minority of 10 percent to 30 percent of the work force, differentiated by dialects as well as by customs. Many were formerly city dwellers and find adjustment to the rural life difficult, according to officials in the UN office here.

Mr. Hartling spoke highly of the efforts made by China to help the refugees integrate. He said that the greatest success so far had been at the port of Beihai on the Gulf of Tonkin, in the Guangxi Zhuang region, where 11,000 refugee fishermen have been established as trawlermen.

"They have the same work, they have the same pay, they have the same social and other facilities," Mr. Hartling said. "They are certainly not discriminated against."

But Mr. Hartling and other UN officials said that a major point of friction had been China's strict birth control policies and the failure of many refugee families to observe them.

They discussed the matter at a news conference during a visit that included talks with senior Chinese officials, visits to refugee camps and the signing of a new aid agreement.

Mr. Hartling, a former Danish prime minister, announced that the United Nations would give an additional \$12 million from 1986 to 1988 to help China resettle the Vietnamese. It would bring total UN assistance to the Chinese authorities to more than \$51 million since 1978.

According to the Chinese, the UN assistance is barely a quarter of what the Beijing government has spent on the problem — more than 600 million yuan (\$211 million). Much of this has been invested in the 196 state-run farms to which China has directed most of the Vietnamese citizens.

Mr. Hartling said that the UN agency considered a resettlement program a success when 80 percent of those involved were satisfied with their new lives, a criterion that he said had been met among the Vietnamese in China.

But he acknowledged that about 20 percent of the refugees remained unhappy, with a large number still requesting transfer to other countries, mainly the United States, Australia, Britain, Canada or France.

The refugees are concentrated in four Chinese provinces, Yunnan, Guangdong, Fujian and Jiangxi, and in the Guangxi Zhuang autonomous region. At most of the collective farms they form a distinct minority of 10 percent to 30 percent of the work force, differentiated by dialects as well as by customs. Many were formerly city dwellers and find adjustment to the rural life difficult, according to officials in the UN office here.

Mr. Hartling spoke highly of the efforts made by China to help the refugees integrate. He said that the greatest success so far had been at the port of Beihai on the Gulf of Tonkin, in the Guangxi Zhuang region, where 11,000 refugee fishermen have been established as trawlermen.

"They have the same work, they have the same pay, they have the same social and other facilities," Mr. Hartling said. "They are certainly not discriminated against."

But Mr. Hartling and other UN officials said that a major point of friction had been China's strict birth control policies and the failure of many refugee families to observe them.

Blast Toll Is 62 In Japanese Mine

Reuters

YUBARI, Japan — Experts began Sunday to investigate whether sophisticated gas sensors had adequately signaled leakage of methane gas before an explosion that killed 62 men in a coal mine in northern Japan.

The smell of gas was still strong as a team of 50 policemen and mining experts moved into the pit Sunday, two days after the explosion in the Minami Oyubari mine, police said.

The mine, opened in 1970 on Hokkaido island, is Japan's fifth-largest coal mine and was its most modern. The advanced safety system was installed there after a gas explosion killed 17 men in 1979.

Mr. Pierce was joined on his walking tour Friday by Pennsylvania's two U.S. senators, Arlen Specter and John Heinz.

"I was deeply stricken," Mr. Heinz said. "It was a sad, even terrifying sight."

Mr. Specter said: "It's overwhelming, hard to believe. It looks like a war zone."

The senators, both Republicans, refused to criticize the police for the bombing.

The search of the ruins of MOVE headquarters ended Friday. Though authorities had said the self-described "black" nature group had semiautomatic weapons, none was found in the building. Police said they found two shotguns, one rifle and three pistols.

(UPI, NYT)



Rescuers carry a victim from the Japanese mine.

Swiss Banker Found Guilty in Fraud Case

Reuters

GENEVA — A prominent private Swiss banker, Robert Leclerc, has been found guilty of diverting millions of dollars from his clients' accounts.

The jury at a Geneva criminal court rendered the verdict late Saturday, finding the banker guilty of 60 charges of fraud and breach of confidence.

Mr. Leclerc, 67, is to be sentenced Monday and the public prosecutor, Raymond Foc, was expected to demand a maximum 15-year sentence.

The five-week public trial concluded the case of Leclerc & Co., a private Geneva-based bank that the Federal Banking Commission closed down in 1977.

The commission said an investigation showed a consolidated balance sheet deficit of 394 million Swiss francs (then valued at about \$220 million).

The secretive world of Swiss banking was stunned when the manager of the bank, Charles Bouchard, was found drowned in Lake Geneva and another former Le-

clerc partner committed suicide shortly after the closure.

In 1978, Mr. Leclerc was arrested and spent 15 months in prison despite repeated pleas for his release on the ground of ill health. He eventually was freed on a 500,000-franc bond.

In an impassioned final plea to the jury of 10 women and two men, Mr. Leclerc conceded that he had made mistakes but said he had never dipped into any of his clients' accounts. He asked forgiveness from his former clients, many of whom were close friends.

His lawyers argued that he was innocent of any criminal wrongdoing, and said the banking commission caused the clients' financial losses by unnecessarily closing the bank.

The jury deliberated for 10 hours before finding Mr. Leclerc guilty of all but 18 charges, hardening two of the charges to "aggravated" breach of confidence.

The public prosecutor was joined by five lawyers pressing a civil action against the banker on behalf of some of the 4,182 clients who lost money. They accused him of using fraud and deception to conceal 25 million francs in secret accounts from 1970 to 1977.

Europeans, Soviet Plan Mars Probe

The Associated Press

MOSCOW — The Soviet Union and the European Space Agency have agreed to cooperate in a probe of the planet Mars with a satellite to be launched in 1988, the press agency Tass has reported.

The agency also said that the Soviet Academy of Sciences suggested to the 11 West European members of the European Space Agency at a meeting in Leningrad last week that they participate on a "large scale."

According to the Tass report, distributed Friday, the Project Phobos spacecraft will be launched in 1988 to orbit one of Mars's two natural moons.

Phobos is closer to Mars than the planet's other moon, Deimos, and has a diameter of about seven miles (11 kilometers). It is believed to be an asteroid caught in the gravity of Mars.

Vyacheslav Balabanov, deputy director of the Soviet Academy of Sciences Institute of Space Studies, was quoted as saying: "The chemical composition, temperature, density and dust saturation of the atmosphere of Mars, the characteristic features of the planet and its magnetosphere will be under distant observation."

The project will last about 15 months, Tass reported.

"The terms and the dates of deliveries of equipment, apparatus and documentation for the Phobos project have been specified in detail," Tass said, without elaborating.

The European Space Agency members are Belgium, Britain, Denmark, France, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and West Germany.

The European Space Agency members met in Rome on Jan. 30 and approved participation in the U.S. space station project and the construction of a more powerful launcher.

القابس

الدولي

ابتداء من اليوم

تطبع في لندن

وتوزع صباحاً

في أوروبا

وشمال أفريقيا

إقابس الدولي ... الحقيقة التوام

ل إقابس الكويتية أكبر صف الطبع

والأكثر شعبية ومصاحبة

AL-QABAS

International Edition

from

TODAY

Printed in London and on sale every morning in Europe and North Africa.

AL-QABAS International

A Twin-sister for AL-QABAS — Kuwait.

The Leading most popular, most authentic newspaper in the Gulf.

WORLDWIDE ENTERTAINMENT

THE MOST FAMOUS NIGHT CLUB IN THE WORLD

PANACHE

LIDO

8 PM, Dinner Dance
Champagne and Music
4.00 F

10 PM, and 12.15 A.M.
Champagne and Music
3.00 F

TIP INCLUDED

You haven't seen
Amsterdam
if you didn't
see

Yab Yum

Mind Club

Singel 295, Amsterdam
All major credit cards accepted.

Watch for this feature every

MONDAY, WEDNESDAY & FRIDAY

12, av George V tel. 223 32 32

PARIS - FRANCE

happy crazy '85

CRAZY HORSE

far and away
the best nude revue
in the world

at the bar only 240 frs
+ 15% service charge

DOONESBURY

DOONESBURY

SKY CHANNEL

BROADCASTING TO CABLE COMPANIES IN EUROPE & THE UK VIA SATELLITE.

"Europe's Best View"

PROGRAM	MONDAY 20th MAY	UK TIMES
13.30 MOVIE	13.30 MOVIE	13.30 MOVIE
14.30 WAYNE & SHUSTER	14.30 WAYNE & SHUSTER	14.30 WAYNE & SHUSTER
15.00 SKY TRAX 1	15.00 SKY TRAX 1	15.00 SKY TRAX 1
15.45 SKY TRAX 2	15.45 SKY TRAX 2	15.45 SKY TRAX 2
16.30 SKY TRAX 3	16.30 SKY TRAX 3	16.30 SKY TRAX 3
17.30 MR. ED	17.30 MR. ED	17.30 MR. ED
18.00 THE LUGGY SHOW	18.00 THE LUGGY SHOW	18.00 THE LUGGY SHOW
18.30 GREATEST AMERICAN HERO	18.30 GREATEST AMERICAN HERO	18.30 GREATEST AMERICAN HERO
19.00 THE UNTOUCHABLES	19.00 THE UNTOUCHABLES	19.00 THE UNTOUCHABLES
21.05 WFL AUSTRALIAN FOOTBALL	21.05 WFL AUSTRALIAN FOOTBALL	21.05 WFL AUSTRALIAN FOOTBALL
22.00 SKY TRAX	22.00 SKY TRAX	22.00 SKY TRAX
23.00 CLOSE	23.00 CLOSE	23.00 CLOSE

SKY CHANNEL TV ADVERTISING SELLS PRODUCTS FAST - FOR MORE INFORMATION, RATES, MARKETING & AUDIENCE DATA CONTACT SKY CHANNEL SALES, SWAN HOUSE, 17-19 STRATFORD PLACE, LONDON W1N 8AF TEL: LONDON (01) 483 1166 TELE: 263655.

FRANCE

A SPECIAL ECONOMIC REPORT

MONDAY, MAY 20, 1985

Page 7

Industry Reacts To a Lighter Government Hand

By Michael Mercalfe

PARIS — The scales of French industry, long weighed down by losses, state interventionist policies and overmanaging, are slowly tipping more favorably.

Corporate profits in both public and private enterprises are up, investment continues at a steady, though sluggish, pace, industrial productivity is improving and the Socialist government's policy of nationalizations and direct intervention has given way to a more pragmatic approach.

Yet the signals are not all green. Several large companies vital to French industry's well-being, notably Renault, have swung deeper into the red. Coal, shipbuilding and iron and steel all remain in the twilight zone, while much industrial restructuring in the textiles, chemicals and electronics sectors remains to be completed.

"We have a long way to go, the industrial structure is still too rigid, and it may well be that time is running out," said a senior adviser in the Industry and Foreign Trade Ministry, commenting on the government's record in industrial policy as an election year approaches.

With less than 10 months to go before the parliamentary elections, in which the rightist opposition is expected to wrest control of the National Assembly from the Socialists, rumors have abounded in Paris that the administration was planning some moves toward denationalization to gain favor among France's more conservative voters.

These rumors have now been flatly denied by government ministers, notably Industry Minister Edith Cresson. They insist the administration has nationalized only parent companies and not their affiliates, leaving the latter free to do as they wish.

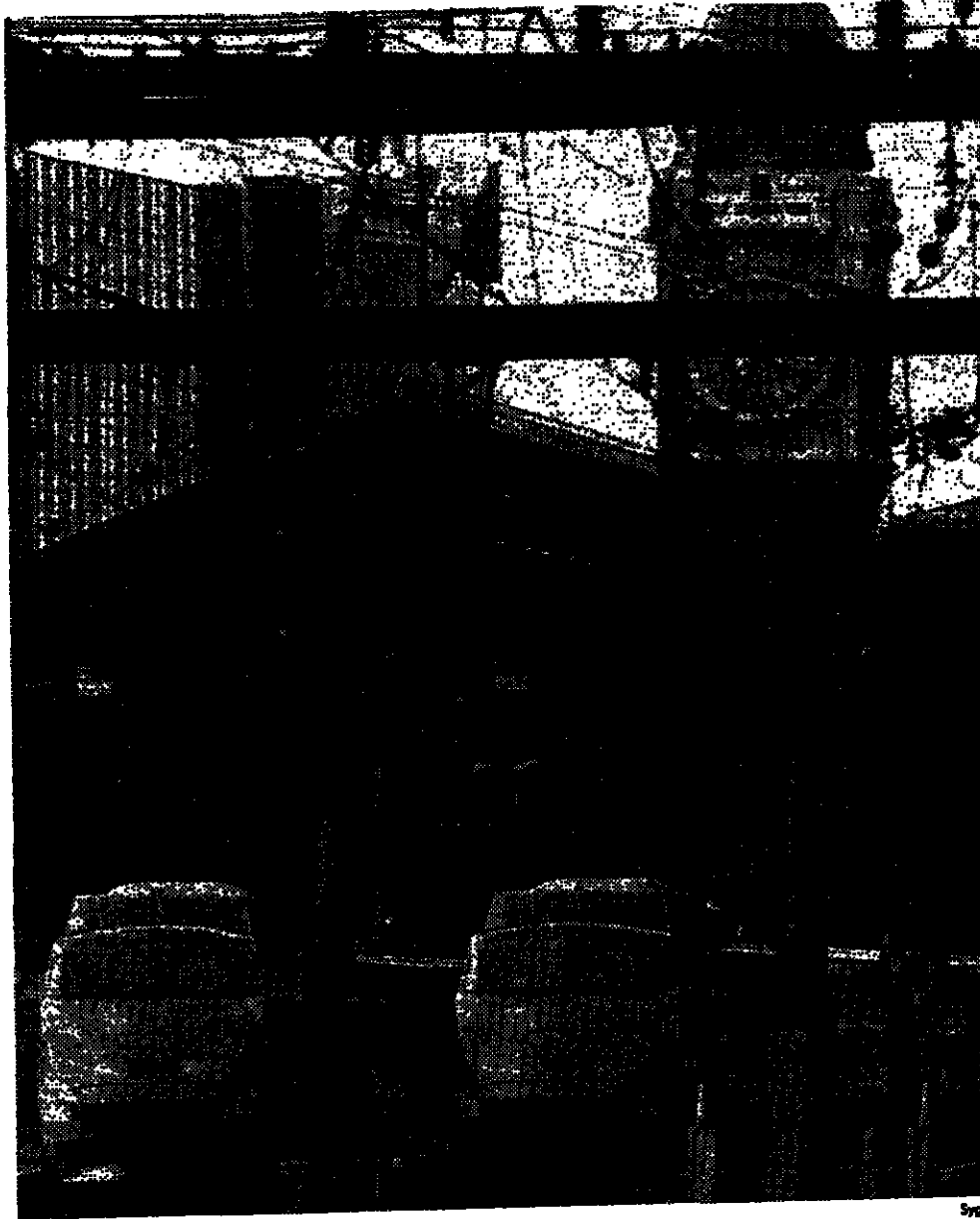
"What we are seeing is a slow move by the government to approve listings on the Paris Bourse of small amounts of shares of the affiliates, or subsidiaries, of large nationalized companies, not a wave of denationalizations among the powerful parents," noted a stock market analyst, citing the move as an example of the government's more pragmatic approach to industry.

Adhering to its policy of reducing wide-reaching state intervention, the administration of Prime Minister Laurent Fabius, formerly the industry minister, has moved more in favor of promoting decentralized decision-making and entrepreneurialism.

An example of this trend was the landmark exchange of electronics assets between the two state-owned groups, Compagnie Generale d'Electronique and Thomson, in September 1983, which was negotiated exclusively by the managing parties.

Highlighting the shift away from centralized industrial planning is the decline in influence of the French Planning Organization, which since the postwar years has played a pivotal role in allocating

(Continued on Next Page)



TGVs waiting for departure from Paris. France's high-technology industries: Page 10.

Government Prepares To Defend Its Record

By Axel Krause

PARIS — The Socialist government of Prime Minister Laurent Fabius is gearing up for parliamentary elections next March determined to defend its record on what could emerge as the central issue in the campaign — the economy.

That task, according to most political observers, will be extremely difficult, given worsening unemployment, virtually stagnant growth and widespread allegations by conservative opposition leaders that the Socialists lack a credible strategy for spurring growth in the economy.

Le Figaro, a rightist daily newspaper, recently described the economy as in a state of collapse and termed the Socialist record "disastrous." Former President Valéry Giscard d'Estaing has called for a more expansionary policy. He also has indicated that he would serve in a new coalition government, assuming conservative parties regain their majority in the National Assembly.

Many observers and surveys predict the Socialists will lose heavily, following their tumultuous victory four years ago. However, François Mitterrand is expected to remain president until his term expires in 1988 and has promised to campaign actively.

The man in the middle, 38-year-old Mr. Fabius, reflects a calm, pragmatic approach to the centerpiece of his government's program, which he terms "modernization" of the economy. He regularly tells visitors, in defending his program, that it will be followed regardless of which parties win next March.



President Mitterrand, above, and Prime Minister Fabius, right.



Although Mr. Fabius may be tempted to push for some expansion in the months ahead, most observers agree that the room for maneuver is extremely limited. "In the absence of concerted European action, a highly unlikely development this year, a major reorientation of the [French] policy is unlikely," said Wharton Economic Forecasting Associates, Inc., a U.S. consulting group, in its May review of world economies. Senior government officials, speaking privately, say that any politically inspired move to

ward expansion would rekindle expectations of inflation and would backfire immediately, probably causing a sudden weakening of the franc in world currency markets.

"Even if we wanted to reflate, we couldn't," said a senior Finance Ministry official.

Indeed, there is general agreement among private forecasters, such as Wharton, and international agencies, such as the Organization for Economic Cooperation and Development, that the government is on the right track, even though, as the OECD recently noted, France's domestic demand is likely to grow at only half the combined rate of the European Community during the next year.

On the positive side, the government has reduced inflation from an annual rate of just under 14 percent in 1981 to 6.4 percent. The current account in the balance of payments could wind up in balance this year, despite a deficit of 16.8 billion francs in the first quarter. Productivity and corporate profits have grown substantially, which is reflected in booming stock markets in Paris, Lyon and other cities.

Deregulation of the banking system is starting, along with partial privatization of nationalized industrial companies. Interest rates have fallen somewhat. And the budget deficit has been kept to just over 3 percent of gross domestic product.

"There are constraints, and we cannot spend more than we earn —

(Continued on Page 10)

The Voices of the Opposition

Barre: End the Controls

By Raymond Barre

AN ACCURATE estimation of the economic situation in France at the beginning of 1985 must not be restricted to the observation of a number of relatively satisfactory results that could lead to the impression that it is developing favorably. It is necessary to draw from this situation, as clearly and objectively as possible, the positive and negative aspects that it contains.

In April 1983, the government decreed a complete turnabout in the economic and social policies that it had initiated in 1981 and was unquestionably successful in putting a halt to the rapid deterioration of the situation that had brought about three devaluations of the franc within a period of 18 months. When we compare the results of 1984 to those of 1982, we

see that inflation has been reduced sharply, that the rise in production costs has been slowed, that the deficit in the balance of trade has been cut, that the balance of current accounts is nearing equilibrium and that the franc's rate of exchange has been stabilized within the European Monetary System. Yet, these results are fragile and many negative factors remain as a threat to the future.

The drop in the rate of inflation is due in part to disinflation throughout the world and to a slower rise of labor costs, but most of all, it is due to price controls of most of the industrial products listed on the consumer price index, to the control of public utilities rates as well as to the limits placed on wage increases. This last factor has been made easier by rising unemployment. Yet, despite all these controls, the difference in the rates of inflation between France and its main economic partners has not been reduced to a great extent (2.1

percent in March 1984 against 2.9 percent in March 1981 after having amounted to 6.2 percent in March 1982.)

France has not managed to achieve a full recovery in its balance of payments (Continued on Next Page)



Raymond Barre

France has not managed to achieve a full recovery in its balance of payments (Continued on Next Page)

Chirac: Curtail the State

By Jacques Chirac

AS WE APPROACH the middle of the year, one thing is clear: Socialist medicine, whether it be expansion through budget deficits and inflation, as in 1981 and 1982, or a forced return to austerity, is no cure for what ails France. The latest economic indications are proof of that.

According to these figures, economic expansion in France did not reach 2 percent, as some were too quick to announce, but only 1.5 percent. Furthermore, the National Institute of Statistics and Economic Studies has forecast a national growth of 1 percent for 1985, which is 1 to 2 points lower than the expected growth of most of our neighbors.

As for prices, here, too, the Socialist government was too hasty in

claiming victory. The government thought that it could bring the rate of inflation down to 4.5 percent in 1985, but, according to the figures for the first quarter of the year, it is clear that the inflation rate will remain between 6 percent and 7 percent. This is a very unsatisfactory result because the gap between French prices and those of our neighbors remains wide and is even growing. This is particularly true of the difference between French prices and those of our main trading partner, West Germany.

Furthermore, industrial production for the last year has shown absolutely no growth. Under these conditions, it is not surprising that job offers are falling, that unemployment is rising and that the situation for business remains precarious.

And in foreign trade, the poor results of the first quarter of the year have dashed the government's hope of achieving a small surplus

claiming victory. The government thought that it could bring the rate of inflation down to 4.5 percent in 1985, but, according to the figures for the first quarter of the year, it is clear that the inflation rate will remain between 6 percent and 7 percent. This is a very unsatisfactory result because the gap between French prices and those of our neighbors remains wide and is even growing. This is particularly true of the difference between French prices and those of our main trading partner, West Germany.

Furthermore, industrial production for the last year has shown absolutely no growth. Under these conditions, it is not surprising that job offers are falling, that unemployment is rising and that the situation for business remains precarious.

And in foreign trade, the poor results of the first quarter of the year have dashed the government's hope of achieving a small surplus



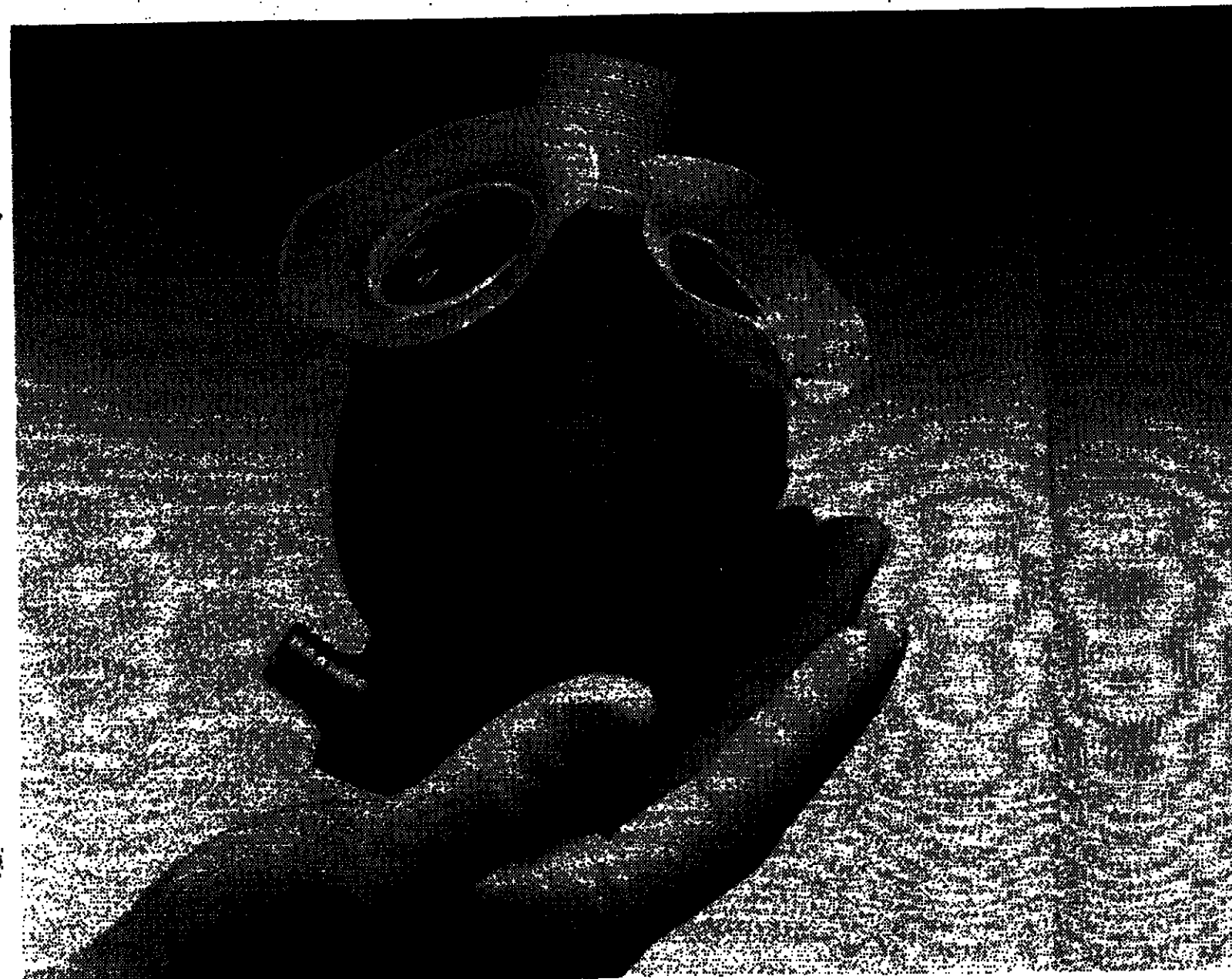
Jacques Chirac

For 1985. On the contrary, the current trend indicates that there will be a deficit of about 30 billion to 35 billion francs in external trade.

For unemployment, the slight improvement in March, a drop of

(Continued on Next Page)

How Airbus and Ariane have put new heart into our technology.

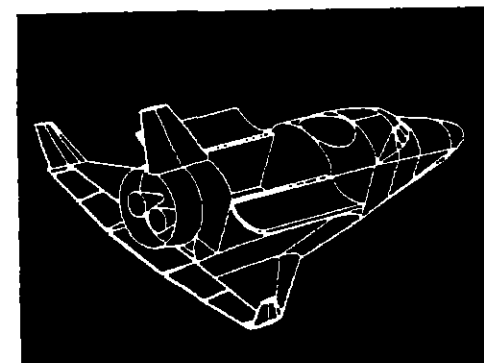


Aerospatiale is proud of its cooperative ventures in aeronautic and space programs: Concorde, Airbus, the Ariane launcher, our Exocet missile systems, not to mention our helicopters where we're the world's leading exporter, or satellites like Meteosat and Arabsat.

Successes like these are more than a demonstration of Aerospatiale's dedication to excellence and our mastery of advanced technologies. They also show our ability to successfully co-operate with our partners. In Europe, in America or anywhere else in the world.

The artificial heart you see here works almost like the real thing. It's a spin-off of technologies we use everyday. Like computer assisted design, micromechanics, and composite materials. In fact, we think of it as the offspring of Concorde, Ariane and Arabsat.

Aerospatiale is proud to play an important role in medical research. We're equally proud that it's done in partnership with Saudi Arabia. At Aerospatiale, innovating means sharing. And that's what makes us special.



aerospatiale

that's special. that's aerospatiale.

A SPECIAL REPORT ON FRANCE

Barre: Recovery Requires an End to Controls

(Continued From Previous Page) France's recovery requires an end to controls. It has not been able to develop the surplus that it needs to stabilize its external debt. France's credit rating is one of the best in the world, but the prospects for expansion of the French economy in the medium term will be hindered by the obligation to service its debt. Furthermore, French business enterprises have lost some of their ability to compete and their share of the international market is falling.

French firms, which were seriously shaken by the economic measures imposed by the Socialist government in 1981 and 1982, are beginning to profit from an improvement in their earning ability. Yet, the results are extremely varied for private firms as well as for those in the nationalized sector. The serious situation of Renault, which made a profit in 1980, illustrates the negative effects that price controls and a rise in production costs have had on industry. And this is a consequence of the measures imposed by the Socialist government.

Business investments, which have dropped sharply since 1981, still have not recovered; they were

down 2.9 percent in volume in 1984 after declines of 4 percent in 1983, 1.2 percent in 1982 and 2.7 percent in 1981. The rise in industrial investments in 1984 did not compensate for the drop of investments in the other sectors: agriculture, housing and public works, transportation and services. Price controls

France has not managed to achieve a full recovery in its balance of payments. It has not been able to develop the surplus that it needs to stabilize its external debt.

and stagnation of economic activity do nothing to facilitate their resumption.

The employment situation never has been as poor as it is now. The continuing rise in the number of job seekers is less of a concern than the French economy's net loss of jobs since 1981. The policy of "modernization" that has been much vaunted since 1983 can be summed up as an increase in job

dismissals by private businesses whose activity is slow, and as more subsidies for nationalized industries (iron and steel, shipbuilding), where the pressure of labor unions remains powerful enough to curtail their necessary reorganization. But, it is the financial situation of the nationalized sector that is of

beginning of 1981 was on the way to recovering from the second massive rise in petroleum prices, during the rest of that year and in 1982 it fell behind in adapting itself to the changes in the international economic situation. This delay may have worsened in 1984, if the results of the French economy and those of its main competitors are compared.

This situation will weigh on all French governments in the coming years, whatever their political inclination may be. In my opinion, recovery will require a new economic policy based on ending controls that hinder business activity, the progressive reduction in the deficit of public finances through a cut-back in spending, altering the tax system so as to stimulate business activity and investments, and stabilizing, then reducing, the external debt.

A policy such as this could have satisfactory results only if it were applied continuously for several years in a climate of political stability and confidence. The improvement of the economic and financial situation in France depends more on political conditions than on technical formulas.



A demonstration at Creusot Loire.

Socialists Find Unemployment Won't Go Away

PARIS—When France's Socialists were elected into office in 1981, one of the key pledges in their platform was to keep unemployment below the 7-million mark. Now, more than four years later and in a pre-election year, the jobless total in April was 2.3 million, or about 10 percent of the total work force.

Reconciling the need to restructure key sectors of French industry, often including unpopular measures to cut manpower levels, with the priority of keeping jobs to a minimum has proved an uphill task for Prime Minister Laurent Fabius and his predecessor, Pierre Mauroy.

Early retirement, retraining programs and the option to quit with severance pay are among the government's solutions to the problem of overmanning in sectors such as the automotive, steel, iron and coal industries. But these measures, often involving huge compensation payments that dent the already strained state budget, have left their scars on declining industries and their manpower.

Not only are smokescreen industries, such as coal, steel and shipbuilding, coming under the hammer, nuclear power, transportation equipment and telecommunications are also feeling the pinch.

Moreover, mergers, asset swaps, plant closures and other rationalization measures springing from the government's earlier policy to nationalize key sectors of industry have led to jobs being shed rather than created. According to recent official statistics, the French economy will show a net loss of a further 170,000 jobs in 1985, a rate comparable to last year's levels.

It is also forecast that between 1984 and 1988, the French automotive industry alone will have to cut 80,000 jobs, a good 10 percent of the industry's work force. In this sector, the state-owned Renault and the private groups, Peugeot and Michelin, are the worst hit.

In coal and steel, the existing labor forces of 57,000 and 90,000 are being cut by about 28,000 and 25,000, respectively, in the period 1984-1988, mainly through early retirement, redeployment to other related sectors and retraining programs.

Other areas feeling the ax are

shipbuilding, textiles and telecommunications, where more than 40,000 jobs have disappeared or are being eliminated.

Among the worst hit in the unemployed bracket is youth. "This government will be judged on its record on youth unemployment," Mr. Fabius said shortly after becoming France's youngest prime minister nearly a year ago. Almost half of France's unemployed are under 25. Public services, under pressure to save state money, as well as the private sector, are not taking on young people after school or university studies are completed.

Aggravating the situation are the large numbers of immigrant youth,

often second-generation North Africans born in France, searching for scarce jobs. They have met with increasing resistance from racist elements.

The government is attacking the youth unemployment problem through more professional training and extended state educational programs, as well as community work.

Confronted with the magnitude of the jobless problem, the attitude of France's labor unions has proved ambiguous. Only about 22 percent of the total work force, the lowest percentage in the European Community, belong to unions and the proportion is in decline.

According to an official at the Communist-dominated Confédération Générale du Travail (CGT), France's largest union, membership has fallen to about 1.6 million from 2.3 million in the late 1970s. "With the departure of the Communists from the government last year, and general disillusionment among party ranks, it's true to say that union morale is low at the moment," the official said.

While mounting strongly worded attacks on the government's employment and industrial policies, CGT and other union leaders have recently found that their calls for strike action are going unheeded.

—MICHAEL METCALFE

Chirac: Socialist Medicine Is No Cure for France

(Continued From Previous Page)

0.2 percent, should not be considered to be anything more than just that. The real problem is that the average duration of unemployment continues to increase, while job offers continue to decline. In addition, it is well known that the real figure for the number of unemployed is 300,000 to 400,000 higher than the figure published by the government. This can be explained by the so-called "social treatment of unemployment," which now takes new forms, such as the Travaux d'Utilité Collective (Work for the Community), or through the system of Contrat/Formation/Reclassement (Contract/Training/Reclassification). It would be reasonable to place the true unemployment figure for France at 2.7 million.

The general economic situation in France is fairly somber at the present time. The government too hastily declared that the situation had returned to normal; this has not taken place. France is in the unfortunate situation of having the disadvantages of slow growth leading to increased unemployment without the beneficial fallout of lower prices or improved external

trade. This is all the more dangerous because the gap with foreign countries continues to grow. During the last two years, economic growth in West Germany was far greater than ours and for this year the West German trade surplus is expected to be more than 30 billion Deutsche marks, while its

been changed. What can we reasonably offer the people of France? Breaking with this past does not mean imposing on France an unbridled form of free enterprise. In France, as in other countries, the state must maintain full control of its essential and traditional duties, that is, it must assure an overall

and this is true for the creation of new investments that will bring about new jobs or for a resumption of a well-balanced and vigorous expansion.

The means to achieve this economic recovery are well known. Briefly, we must reduce spending by the state so as to control the budget deficit, while progressively cutting back the total of fiscal charges to 40 percent of the gross national product, particularly taxes on businesses and on private citizens.

Such a policy will also entail controlled depreciation of prices, rates of exchange, credit, the right to work so as to unfetter French businesses to allow them to recover their dynamism and compete with foreign firms on equal terms.

It further means that the state should withdraw from fields where it does not belong, through denationalization and by a progressive easing of government intervention.

To cut back the role of government, reinvigorate business and give individual citizens greater responsibility — these are the basic principles of the program that I plan to propose to the people of France when the time comes to choose a new government.

Production has shown absolutely no growth . . . it is not surprising that job offers are falling, unemployment is rising and the situation for business remains precarious.

inflation will not rise more than 2.5 percent. And I have made no mention here of the economic performance of the United States and Japan, both of which are still far better.

What is to be learned from all this is very clear: Socialist policies, whatever detours they may take, whatever changes they go through, can lead only to economic failure. Since the system has failed, it must

economic balance and assume its mission of defense, education, justice and welfare.

Our goals are simple. They are, first of all, to regain the confidence of a public that so often has been abused. This confidence, that of the consumers, of those Frenchmen who are worried about their savings, of businessmen, is the very condition on which the economic recovery of France will depend.

FIAT
Groupe FIAT en France

The flower to pick for faster-growing business in Europe.

A huge concentration of potential markets.

A vast reservoir of human resources.

A unique communication and transport center.

An exceptional wealth of research and technological facilities.

The Paris-Ile-de-France region gives you direct access to a huge concentration of potential markets in Europe: industry, government and municipalities, financial markets.

It's also easy to have regular contacts with such markets because the Paris-Ile-de-France region is the world's favorite choice as a location for fairs, conventions and exhibitions.

The Paris-Ile-de-France region makes all European markets easily accessible thanks to unparalleled transport and communication systems: you can travel or ship by air, rail, highway or waterway. You can also send and receive information by all modern communication and telecommunication systems.

The Paris-Ile-de-France region offers a vast reservoir of human potential and talents: skilled workers, supervisory personnel, managerial staff and sales and marketing experts.

The Paris-Ile-de-France region offers an exceptional wealth of technological facilities to help you focus precisely the right market for your products and services — laboratories, research institutes, testing centers and market research organizations.

THE PARIS-ILE-DE-FRANCE REGION.

A winning combination for business in Europe.

Call Jacques Bouvier : (011.33.1) 533.74.22. Conseil régional d'Ile-de-France 33, rue Barbet-de-Jouy 75700 Paris - Tx 201 392

JPK 150

A SPECIAL REPORT ON FRANCE

Expanding
Bourse
In Need of
Reforms

By Vivian Lewis

PARIS — The Paris stock market has flourished under the Socialist government, if only because the proceeds from nationalization and the lack of other investment opportunities led investors to rush for the Bourse. And the markets, in turn, developed alternatives to lure investors.

The possibilities range from Treasury mutual funds, which enable corporations to place short-term available funds at a high yield, to share savings accounts, which bring tax advantages to private investors, to new instruments to raise capital for nationalized companies, called participatory shares and investment certificates.

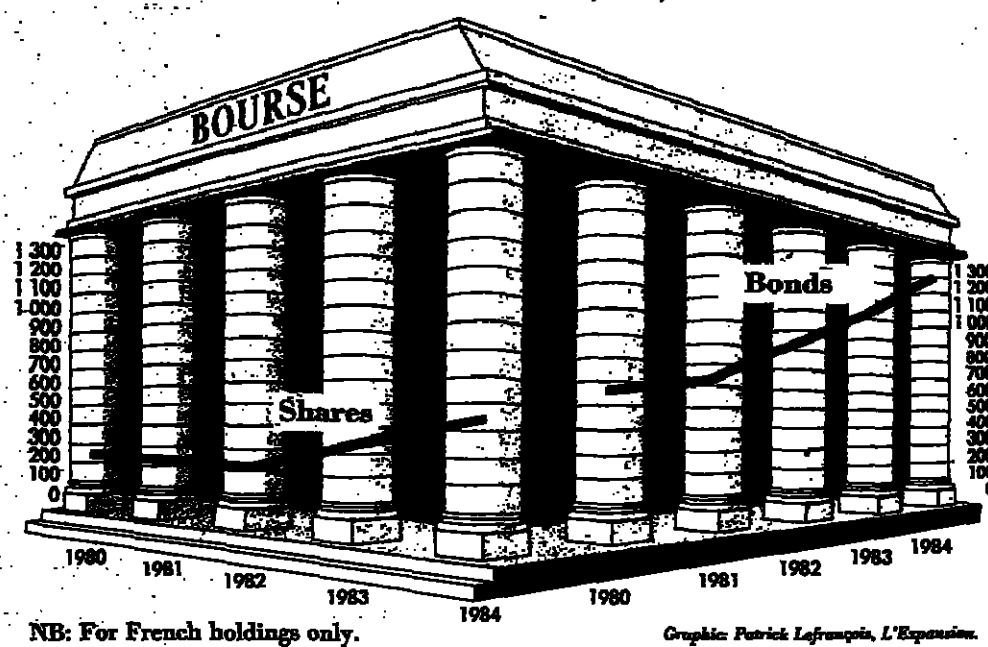
But the most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market." Smaller, family-controlled companies are encouraged to issue shares in this market by reduced reporting requirements and the possibility of maintaining majority control in family hands.

The second market, after two years of operation, has grown to 72 listings, capitalized at the end of the year at 23 billion francs (a further 23 companies, capitalized at 3 billion francs, are quoted on regional French markets). Yet there are serious problems with the second market that have been noted by the Commission des Opérateurs de la Bourse, the French equivalent of the U.S. Securities and Exchange Commission.

When a new issue takes place (and particularly on the second market, where only a minority of shares are offered), demand vastly exceeds supply. Since new issues have tended to perform particularly well in the past, the rush to buy feeds on itself. In France, where brokers do not place shares with their customers or act as underwriters, the disparity in demand is hard to control.

French brokers, who since Napoleon have operated as a government-licensed monopoly, have attempted to control the share rush by setting ceilings on how much each bidder can seek to buy and by requiring that potential buyers put

Shares and Bonds Post Major Gains

(Capitalization in billions of francs
as of December 31, 1984)

NB: For French holdings only.

up cash to cover the amount they are seeking. But, because of clearing in several new issues (either by bidding above the ceiling or by failing to put up the funds), the restrictions failed to work and the Bourse Commission wants to tighten controls.

But the head of the Commission, Yves Le Portz, says, "There is no miracle solution."

The problem of liquidity trying to squeeze into a funnel is not unique to the second market. The potential difficulties of broader institutional trading on the Paris

to handle the block trading that longer hours and negotiable commissions are expected to bring to Paris.

Rather than adopting a British or American model, the French are basing their planning on Japanese modes and hope to incite brokers to combine forces with banks and foreign institutions (brokers or investors) to create new market-making intermediaries, called *sociétés de contrepartie*. There is no reason under French law why foreign banks or brokerage houses could not be partners in such enterprises.

electronically has been put into place for large firms.

Modernizing methods, increasing international block trading, creating new instruments, cutting down on insider abuses — all this should help the French capital market continue its growth. In 1984, according to Mr. Le Portz, total trading rose 55 percent, to 504 billion francs, double 1982 levels. Most of the increase was in bond issues and trading, while the new share market rose by only 12.5 percent, to 48.4 billion francs, and share transactions stayed flat with 1983, at 100 billion francs.

Of course, the interest of the Bourse is not only its volume but the price at which shares trade. The Compagnie des Agents de Change Index at the end of March stood at 211, compared with 180.4 at the close of 1984, and 156.7 at the end of 1983. (The base of 100 is the close of the year 1981.)

According to analysts at Crédit Commercial de France, addressing a seminar on high technology shares last month, "during these last two years, the Paris market has outperformed the major world stock markets on a total-return basis whatever the currency."

"Ironically enough," said Bernard Petit of Crédit Commercial de France, "a danger cited often by foreign analysts is the potential downward pressure on the market in the event of denationalization" of French state-owned companies.

The most important innovation since 1983 has been the arrival of a wholly new market for start-up companies, the "second market."

Bourse include the capacity of the small corps of brokers to handle new volumes.

A Paris institutional market for international investors will require much longer hours of trading and a greater capacity for market-making. (The Bourse operates only for two hours per day at present, just when most Frenchmen are eating lunch.)

The tiny bank of undercapitalized French brokers, the Compagnie des Agents de Change, who are civil servants by statute, will not be able to act as specialists or jobbers

For example, since last November, bond and shareholders in France have no more right to a certificate of ownership. All that remains is an electronic record in the computer of a legally acceptable intermediary body. French companies, meanwhile, have relatively incomplete corporate rolls, since most shares and bonds are held anonymously, *au porteur*, with acceptable intermediaries like banks and brokers sending out dividend or interest checks and notices of annual meetings. But now a system for keeping the corporate roll

Taking a Little Gamble
On Value of the Franc

PARIS — The French government is taking a gamble on the franc — but not a big gamble. It appears to have ruled out a devaluation now, giving up the trade advantage of a cheaper franc.

Devaluation could have been justified by the inflation-rate differential within the European Monetary System (6.4 percent in France against 2 percent in West Germany).

French money planners have decided that they can live with the risk that the franc will be put under pressure if the dollar falls sharply against the European Monetary System's lead currency, the Deutsche mark. For the government of Prime Minister Laurent Fabius, a franc devaluation would be fatal if it occurred close to next year's National Assembly elections.

But there is another gamble that, in the view of French bankers, the government will not take. Despite minor liberalization moves, France still lives under exchange controls. To be sure, the Eurofranc bond market has been allowed to reopen with a bit more liberty, permitting foreign banks to become lead managers, and some issues in the composite European Community currency, the European Currency Unit, may now be sold to French

residents. Also, restrictions on French tourist spending outside the country have been eased and French companies will be able to invest outside the country a bit more easily and can repatriate the proceeds of foreign sales a bit more slowly. French banks will be allowed to create provisions in dollars to cover dollar-denominated risks for the first time.

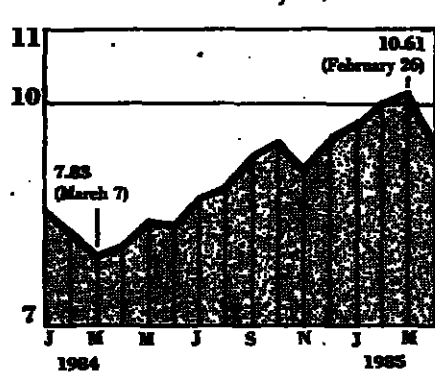
Yet the ramshackle bureaucracy of French exchange controls (dating from 1919) has been largely left in place. As many as 80,000 people in France work on exchange-control matters full time. And the perverse effects of the system hinder French business as never before, because of the increasing internationalization of trade and capital markets.

The only serious attempt to dismantle the system was disrupted by the May 1968 student uprising, which led to a massive sell-off of the franc. The system was put back in place the following year.

When the Socialists took power in 1981, restrictions were increased by the creation of a foreign investment pool, which cannot be added to. As a result, for a Frenchman to invest in stocks or bonds outside the country, he must persuade an

Franc vs. the Dollar

The franc reached a high of 3.99 to the dollar on October 30, 1978, and a low of 10.61 on February 16, 1985.



other Frenchman to sell them. This is done by paying a premium, called the *devise-titre*.

Some of the effects of the anachronistic controls are irritating, some are perverse and some raise questions about the international role of the franc, even as part of the European Currency Unit.

French companies investing abroad have to borrow in foreign currency, even if they do not need to. Marc Ladreit de Lacharrière, financial director of L'Oréal, the second largest cosmetic company

in the world, said, "In 1984, we made an artificial 25-million-franc exchange loss because the French government requires that French companies borrow abroad if they have a treasury surplus."

On the other hand, French companies that have a foreign capital gain do what they can to avoid repatriating it to France and having it subject to restrictions against reinvestments abroad.

Thanks to the removal of withholding tax last autumn, foreign holders are attracted by the French bond market. But they cannot leave their interest earnings in France because of the administrative burdens on nonresident franc bank accounts.

Maurice Hsu, general manager of the nationalized Société Générale bank explains another adverse effect of the combination of *devise-titre* and exchange controls in a period when foreign investors are rushing to put funds into French stocks and bonds: "Frenchmen collectively are the only investors in the world who cannot arbitrage their holdings in francs and other currencies, who cannot add to their holdings in francs."

The result is considerable damage to French banks. French investors, banks and corporations are forced to operate offshore, denying France fees and commissions that otherwise would come to Paris. And French pretensions to make Paris a top financial market for shares or bonds, for commodities or reinsurance, for portfolio management or financial services, flounder at the exchange-control obstacle.

Because exchange controls keep the Eurofranc market from organic growth, the French system also spells trouble for the European Currency Unit, which the French government wants to build up as a reserve currency. The franc component makes up 19 percent of the unit and French interest rates have a bearing on interest rates of the ECU market, which is increasingly being used by borrowers and traders internationally.

—VIVIAN LEWIS

Elle est mystérieuse et essentielle
elle est le fini et l'infini
pour elle
cellule de la vie
notre parti pris : les biotechnologies

our set purpose: biotechnology
new roads for research and innovation in the areas of:
• the human and animal health
• the agricultural production
• the food industry
in all these fields we want to grasp the future

biotechnologies?: quo vadis
Toulouse 29-30 mai 1985



Sanofi, your life today and tomorrow

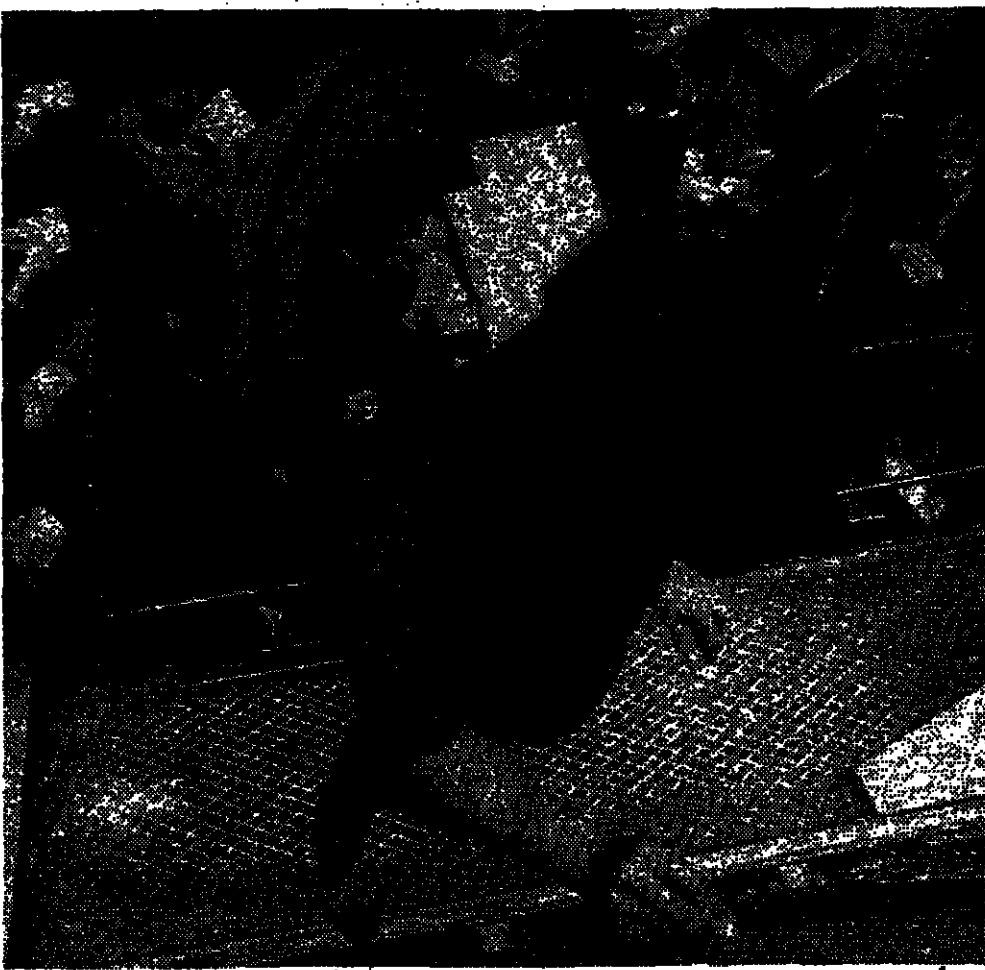
DAFSA Presents:
TELEVAL/QUOTRON

Real-time exchange quotations
from around the world

The TELEVAL/QUOTRON network brings you instant information from financial exchanges throughout the world. Accurate, reliable, and easy to use, this system is an indispensable tool for every professional investor.

A service of DAFSA/A.P. - Dow Jones/Quotron, provided by DAFSA in France and Benelux, the TELEVAL/QUOTRON system will be officially introduced to the French market on Thursday, May 23, at 4:30 p.m. at the Hotel Intercontinental in Paris.

Please call 233 2123 ext. 1461 for further information.



Trading on the floor of the Paris Bourse.

100

A SPECIAL REPORT ON FRANCE

Privatization vs. State Control Brings Flux, Angers Media

PARIS — The French media is in flux and it is not happy about it. France's new-found competitive environment, emerging from under the burden of state intervention, is busily reshuffling the pack of private and national interests making up French radio, television, cable, satellite service and the press.

Under the presidency of François Mitterrand, the Socialist government has played a decisive role in the rapid changes in the media

map, often to the dismay, frustration and anger of journalists, program planners and entrepreneurs. The issue has been taken up by the government's political supporters and detractors, with the traditional lines of political demarcation in many cases breaking under the strain of reconciling cultural policies with economic expediency.

"Partisanship has no place in the current media debate, and where it does arise, it is ugly and venomous," said Thierry Ridoix, a private media consultant.

The television revolution, accelerated by Mr. Mitterrand's announcement last January to allow the introduction of private over-the-air television by next year, has left many casualties in its path.

Signaling the effective dissolution of France's traditional state television monopoly, the planned privatization coincides with efforts to stitch together a grandiose and costly nationwide cabling program and the introduction of Europe's first television service by direct satellite.

The ebb and flow of control and deregulation in the media has speeded up ahead of national elections next year, when the rightist opposition is expected to wrest control from the Socialists.

Whereas on the one hand, the government has trumpeted its adherence to 1981 campaign pledges to broaden the base of media liberalization, for example, by setting up independent local radio stations, it has also been exposed to charges of systematically tightening its grip on state-run television.

Nor have suspicions of government attempts to reassert control over branches of the media been confined to broadcasting. The doubts have spilled over into the press with the resignations recently of over half of the editorial staff at Le Matin, the pro-government daily, to protest the appointment as

editor-in-chief of a former presidential spokesman, Max Gallo. "The government may well be reasserting the traditional state grip on broadcasting media's political content out of purely selfish political motives but this does not affect its plans and options to break the state television monopoly in the technical and entrepreneurial fields," said Mr. Ridoix, the media consultant.

The apparently receding state intervention in the economy and industry has thrown open a multitude of plans and options to revamp French television and radio more along private lines.

The Mitterrand plan for private television calls for the creation of 85 regional private stations that could be linked up to two or three national networks in the hope that increased advertising revenues would result in more profits and more jobs on a regional level.

The government also has been engaged on huge and costly cable and satellite programs. Designed not only to cover France with an array of new multi-channel television services but also to generate a range of fresh services in the telecommunications sector, the government launched a 60-million franc nationwide fiber-optic cable program in 1982 spread over 15 years.

Seen as an attempt to revitalize France's infrastructure along the lines of its high-speed train network and expressway system, the project may well come into conflict with the private television project and see its financial and technical

resources whittled away if the two systems are not made compatible.

The satellite program, on which nearly 3 billion francs has been spent so far, calls for a satellite to be launched next year to provide France with direct satellite television. Already subject to controversy, the project is threatened because of the private television plan.

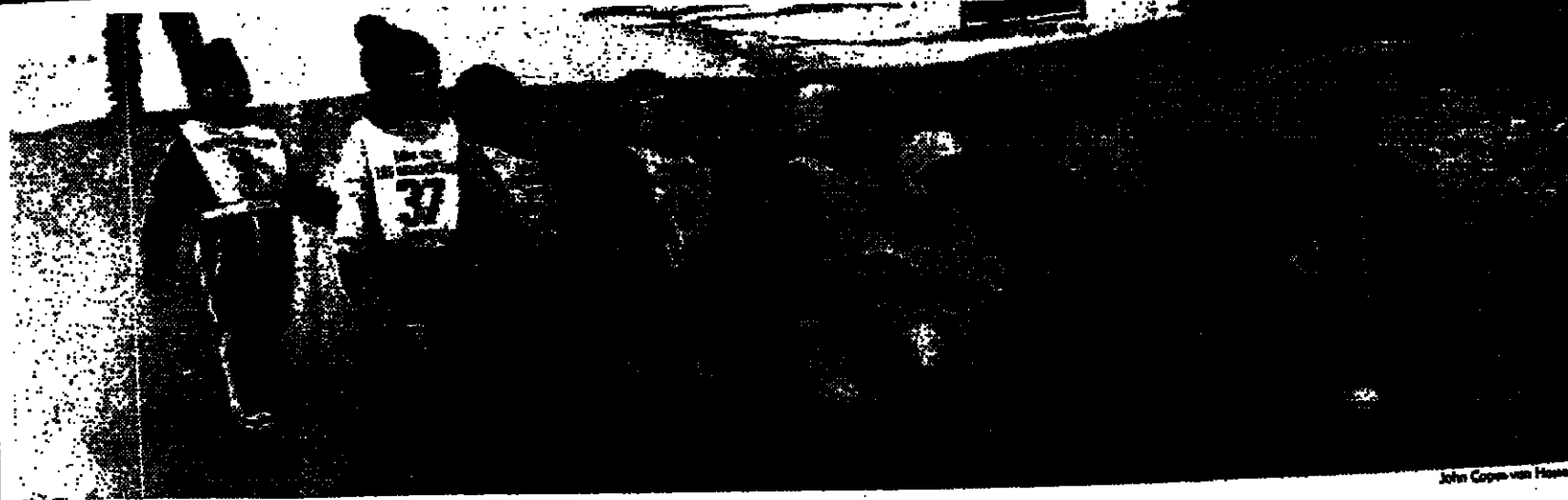
At a time when France's Canal Plus, an over-the-air pay television channel 42-percent owned by the government, has fallen on hard times because of declining subscriptions since it went on the air last November, state and private resources allocated to television media could well be stretched too thin.

With a France saturated with private and state-run television stations and networks, the question arises whether competition will boost the quality of the viewers' product from the mediocre levels of today's state television. Aware of the challenge posed to their monopoly, the three national networks are seeking to improve their image by investing more.

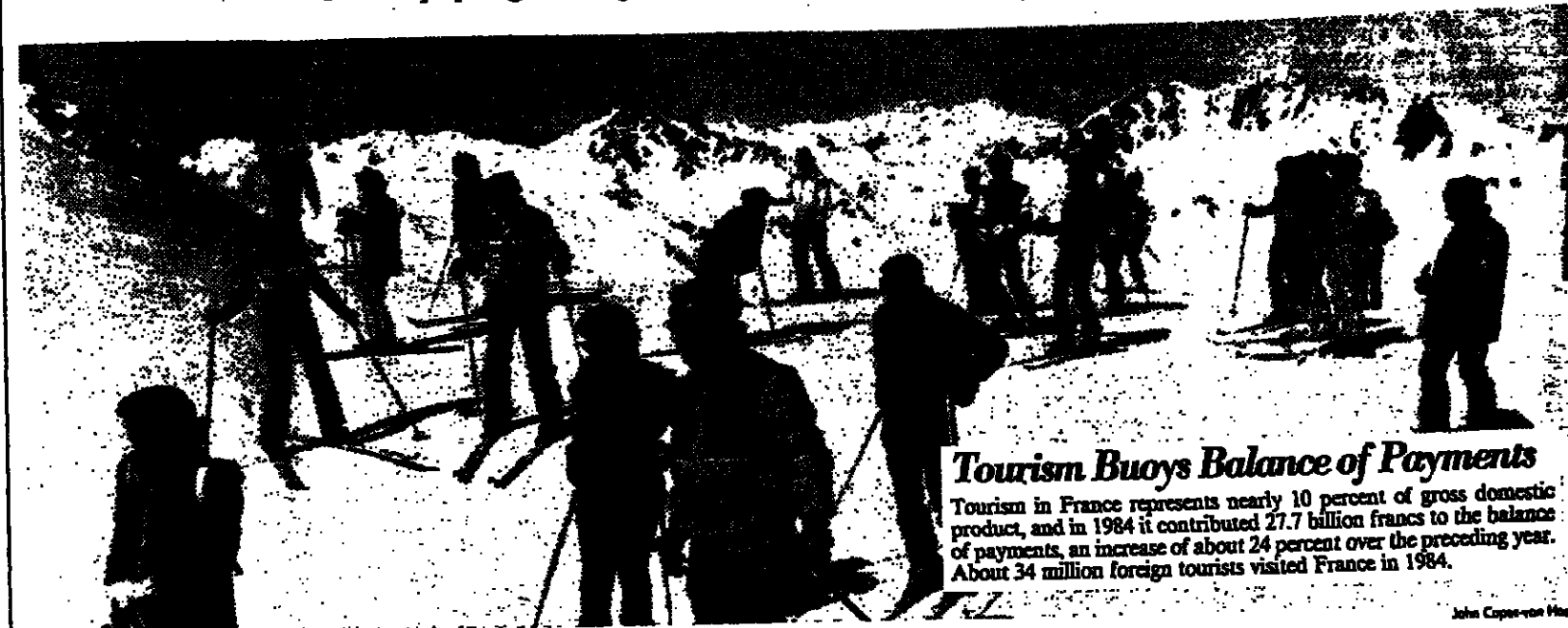
While the government emphasizes broadcasting media in its efforts to make French electronics and telecommunications more competitive, the press has taken a turn for the worse.

The left-leaning daily Le Monde is deep in financial crisis and, with a new editor in chief at its helm, is walking a tightrope by planning to modernize its staid image without losing its old readership. Its success, or failure, will be watched by a French media currently concerned with its own troubles.

— MICHAEL METCALFE



Toddlers preparing for skiing at Tignes, above. Below, a day on the slopes at Val d'Isère.



Tourism Buys Balance of Payments

Tourism in France represents nearly 10 percent of gross domestic product, and in 1984 it contributed 27.7 billion francs to the balance of payments, an increase of about 24 percent over the preceding year. About 34 million foreign tourists visited France in 1984.

John Cooper van Hasselt

In the Fine Art of Perfumery, French Are Banking on Nose

By Leticia G. Jett

PARIS — Although the Egyptians and the Romans anointed themselves with aromatic oils, it was the French who raised what was simply a pleasant indulgence into an art. And for more than 800 years France has been the creative center for what is one of the most romantic, mysterious — and profitable — industries in the world.

Internationally, in the fragrance

fume sales in 1984, but sales in 1983 rose 15.7 percent over 1982 to slightly more than 3 billion francs. As for 1985, the federation predicts a 5-percent increase in total sales as well as a modest increase in exportation over the record-breaking 9.7 billion francs. That is a 27-percent rise in export sales that dazed the French cosmetics and fragrance industry in 1984.

All of the world's top five best-selling fragrances are French. In-

dustry in which fantasy may be the most important ingredient, setting up a glamorous facade that results in imprecise or little-known figures about ingredients, costs and mark-ups. Probably few consumers would be enamored with the notion that the synthetic and natural components in one popular perfume retailing for \$140 an ounce may be worth about \$3.

These types of statistics, however, do not typically reflect the motivation or the aversion of those in the business of developing fragrances. Instead, they tend to show what happens after formulas are purchased by the marketer, whoever that may be.

The scenario for such high-stakes deals could go something like this: A marketer calls a briefing at which the details of the perfume he or his client, say a designer, is looking for are explained (that is, a heavy floral with a top note of tuberose or woody, Oriental scent). Then the competition begins.

Perfumers, on speculation, set about concocting the formula that will ultimately fill the requisition of the marketer. The competition is so severe that some laboratories have been known to corner the market on various crucial essences to thwart the opposition. Finally, this mixture, which on average includes between 80 and 100 ingredients, both natural and synthetic, will be christened with an appropriate name, bottled, packaged, promoted and sold.

Still, this is a dicey business with more failures than great successes, and already the industry is noticing shifts in buying patterns. "Perfume



Liqueur flacons for a Nina Ricci perfume.

sales have experienced a steady decline over the last few years," Jean-Paul Guerlain, managing director of his family's company, said. "Women now are buying can de toilette and can de cologne."

It used to be that women were loyal to one or perhaps two fra-

grances, but in the last decade many like the idea of change and seem eager to try a variety of different scents. A case in point, Coco, the house of Chanel's latest market entry, and barely a year old, is expected to break into the ranks of the world's top five best-sellers.

It should seem only logical in an industry predated on an intangible promise, that those who buy the myth would be whimsical. In fact, everyone is banking it. A fickle consumer, after all, is the fantasy that keeps the perfume business alive and thriving.

Whether the name on the bottle is Italian, American, French or Japanese, 95 percent of the time the nose was French.

development business alone, sales amount to several billion dollars a year.

According to Jean-Jacques Baccier, founder and director of Société Cosmetic Research, France is responsible in one way or another, whether supplying ingredients, formulas, expertise or the finished product, for at least 70 percent of the world's fragrance trade. Furthermore, whether the name on the bottle is Italian, American, French or Japanese, 95 percent of the time the nose was French.

Total sales of beauty products in 1984, as reported by the Fédération Française de l'Industrie des Produits de Parfumerie, de Beauté et de Toilette, rose 19.2 percent over 1983, to 24.2 billion francs (\$2.6 billion), approximately 13 billion francs of which was in cosmetics. (Figures are unavailable for per-

cluded among them, industry sources say, are the following: Chanel No. 5, L'Air du Temps (Nina Ricci), Opium (Yves Saint Laurent), Arpège (Lanvin) and Shalimar from the house of Guerlain, the world's oldest modern perfume maker.

Although few will venture a guess at the millions of dollars spent in the promotion of the product, one thing is certain: No matter how complicated the intrigue may be behind-the-scenes in development and marketing — so much so that designers and prestigious old-guard retailers are loath to divulge the source, or the nose, they commission to formulate the scent that holds their name — huge budgets are allotted to the care, creation and maintenance of the ambience the perfume is supposed to inspire. Some suggest that this is an in-

Cahors: Gentrification of a Wine That Came From Nowhere

CAHORS — In 1971, when he was preparing the fifth edition of his "Wines of France," Alexis Lichine saw no need to mention the wine grown around this city, which is about 130 miles (210 kilometers) southeast of Bordeaux on the Lot River.

That same year, too, a mere 507 Cahors hectares (1,252 acres) were under grapevines and only 14,843 hectoliters (391,555 gallons) were produced. Still, Cahors was coming up in the world even then, since both the area of cultivation and output were up to 150 percent from a decade before.

In 1971, Cahors' growth really began, due to the region's winning the coveted *appellation contrôlée*. With the prestige of the new label, and some shrewd planning in vineyard, cellar and salesroom, the area under grapevines had risen five-fold, to top 2,642 hectares last harvest. And despite a poor vintage quantity, output more than quadrupled, to 68,876 hectoliters.

Cahors growers, more successfully than most, combined shrewd marketing tactics with improvements in quality. The same pattern can be observed in other upgraded wine regions in France. (Côte de Roussillon or Madiran, both also in the southwestern part of the country) and it has important lessons for foreign wineries, particularly those of Spain and Portugal, which are going to be able to sell their output in the European Community. Cahors tells about the gentrification of sturdy southern wines.

Cahors has been the most successful of the new breed. "No other wine came from nothing and is doing as well," says Stephen Spurrier, one of France's leading English-language wine dealers. "Fifteen years ago it was virtually unknown."

About 40 percent of the Cahors growers are grouped into the Cotes d'Olt cooperative in Pernach, with

the largest cellars of the area. The cooperative worked to win the *appellation* and helped turn Cahors from a low-alcohol, high-tannin wine drunk occasionally as a curiosity, but used mainly to doctor defective Bordeaux wines, into one with its own image and following.

Between the cooperative and the government *appellation* rules, growers have switched production

to a restricted set of grape varieties, 70 percent from a type called Cot. They have had to learn to prune sharply to cut output, changing from the traditional southern "cane" form for wines to the Guyot system. Guyot pruning leaves only one long and two short stems and requires that fields be extensively staked and wired. Luckily, state subsidies, often administered by the cooperative bank, Crédit Agricole, help farmers pay for the cost of the switch, with low interest on 10-year loans.

Help was available to the cooperative, too, for installing a modern winery — at low interest for up to 15 years. At the Pernach winery, the vats are connected to a computer to enable vinification to go on at very high temperatures without spoiling the yeast — if things get too hot, the computer sends cooling water round the vats. The must is stirred automatically and when vinification is done, a hosepipe takes off the liquid. The must dumps directly into a system of rail carriages under the vats.

The highly automated winery bottled 43 percent of all Cahors *Appellation d'Origine Contrôlée*. Batches for Queen Marguerite's Château de Caix and her husband's family Château Monpezat and other selected wines are produced in separate vats in the same 21st-century cellar.

Using a high-tech system, the vinification tanks can be used twice

in the same vintage. The wine is aged in cement vats before being bottled in the distinctive black-labeled Bordeaux-shaped Cahors bottles. A new Cahors aimed at the U.S. market has no label at all, with the necessary information printed directly on the bottle. The Pernach cooperative reports a small profit, but in the 1983-84 vintage year that ended August 31, it paid nearly 25 million francs for grapes. Payments were linked to quality of the wine produced, as well as to quantity.

The cooperative has been a ma-

jeor force for selling Cahors as well as making it.

The president of the Cotes d'Olt cooperative, Dominique Cavalier, expects 1985 sales to reach record levels. "With export aid, we are aiming at the U.S. market," he said. "It is a commercial gamble."

If sales meet the target, however, the Coface loan becomes a grant. Salesmen outside France, just over 6 percent now — apart from the Danish link — are funded by loans from Coface, the French export-insurance group.

This year, the cooperative is doing better than before, in part because of poor harvests that have enabled it to sell off its stock (also paid for with low-interest money). Sales in the first half of the 1984-85 vintage year (up to February) are running 84 percent ahead.

The cooperative approach is not the only one being taken in Cahors, and a leading grower, Georges Vigouroux, has gone strictly capitalist. Because of French land-use laws, Mr. Vigouroux was unable to buy a large tract of vineyard in the fertile valley (neighboring farmers get priority when land is sold by the local reallocation company.) So he bought a 60-hectare barren stony hill called Château de Haute Serre, a site partly converted to housing by a Dutch firm, covered with scrub and oak forest.

With stone-crushing machines

and dynamite, Mr. Vigouroux's men cleared the site, leaving a gravelly surface that had to be disinfected against root rot. Then holes were dug and vines were planted — not from shoots but from little nursery pots, so the vines could bear grapes two years sooner. In 1976, after five years of effort, the Château de Haute Serre produced its first *appellation contrôlée* vintage. Since then, Mr. Vigouroux has added 20 more hectares to his vineyard.

Mr. Vigouroux has broken with the cooperative in method as well as ownership, since he does not strip the grapes from the stem before vinification every year. Then, too, every batch of wine is aged in the barrel for at least six months and up to three years — a barrel made out of oak staves with a very traditional look, so the tannins move between the wood and the wine. And the wine vats are used only once each vintage.

Yet, in marketing, above all, the cooperative and the private entrepreneur agree. Although French supermarkets sell 60 percent of most wines, the figure for Cahors is more like 40 percent. About 20 percent is sold directly (at 20.50 to 37 francs a bottle from Mr. Vigouroux), about 10 percent through wholesalers, and the remaining 30 percent through restaurants.

— VIVIAN LEWIS

CONTRIBUTORS

JOSEPH FITCHETT is a staff political correspondent for the International Herald Tribune.

NANCY BETH JACKSON is a Paris-based journalist.

LETITIA G. JETT, a special correspondent in Paris for the Chicago Tribune, is a regular contributor to the International Herald Tribune's Special Reports on fashion.

AXEL KRAUSE is the International Herald Tribune's staff economic correspondent.

VIVIAN LEWIS and MICHAEL METCALFE are financial journalists based in Paris.

CHARLES D. SHERMAN is an editor on the news staff of the International Herald Tribune.

Telemecanique

New 1 to 4 stock offerings

In 1985:

- more than FF 300 million earmarked for R&D and new investment in advanced robotics for even higher productivity.
- a \$40 million outlay to acquire Gould's Industrial Controls Division in the U.S. and move into new markets.

The priority objective: sustained sales growth in the international markets at a 17% average annual rate over the next five years.

Issue price: FF 1600
Dividends accrued from January 1, 1985
Subscription open from May 13 to June 13, 1985.

An information note registered with the French securities commission (N° 85-105 dated April 30, 1985) may be obtained free of charge from the company's head office and from the undersigned institutions. (Official announcement published May 6, 1985)

Telemecanique
Listed on the Paris Stock Exchange

tomorrow's automation today

Herald Tribune

BUSINESS/FINANCE

MONDAY, MAY 20, 1985

Page 13

EUROBONDS

After Fed Move on Rates, What's Ahead for Market?

By CARL GEWIRTZ

International Herald Tribune

PARIS — Weeks of nail biting about if and when the Federal Reserve would cut its discount rate ended last week. Late Friday, the Fed lopped half a point off the rate, putting it at 7 1/2 percent, thus confirming its willingness to maneuver interest costs down. The news triggered a rush of late buying in the New York bond market, pushing prices up and yields down.

Trading was thin as the market had virtually closed by the time the news was flashed. Nevertheless, yields on three-month Treasury bills shed 15 basis points, or hundredths of a percent, six-month bills were down 10 basis points, and one-year paper declined 13 basis points.

The yield on the Treasury's well-loved 30-year bond dropped below 11 percent, confirming that a major rally in the bond market was under way.

Let's markets miss the double-barreled aim of the Fed — to stimulate a flagging U.S. economy as well as to reduce the value of the dollar — the Fed announced that "the action was taken against the background of relatively unchanged output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar."

The foreign-exchange markets got the message. The dollar, which had traded at a high of 3.0910 Deutsche marks in New York on Friday, ended at 3.0510. The fall against the Swiss franc was from a daily high of 2.5980 to 2.5635 at the close, against the French franc from 9.4275 to 9.32, and against the yen, from 251.50 to 250.40. The dollar also weakened against the British pound, which went from a low of \$1.2710 to \$1.2710.

The big question for the foreign-exchange market now is whether foreign central banks will use this occasion to reduce their own interest rates to more or less maintain the existing interest-rate differentials against the dollar or whether, by holding rates steady, the differential will be allowed to narrow.

MAINTAINING the differential (with short-term dollar rates about 3 percentage points higher than those on DM or Swiss francs, and 2 to 4 points lower than French franc or sterling rates, respectively) presumably would neutralize the impact on foreign-exchange markets.

West Germany, for example, which already enjoys a very low rate of inflation, presumably would be tempted to lower interest rates to stimulate sluggish economic growth. In contrast, a strengthened exchange rate against the dollar could be used by the French and British to dent their inflation rates.

For the dollar sector of the Eurobond market, the big question is: "Where to here?"

Does the rate cut simply justify the existing yield levels which were set in anticipation of the Fed's move, or is there reason to anticipate further substantial declines in coupons? Already over the weekend analysts were asking: If the declines in interest rates and the dollar's exchange rate succeed in reviving the U.S. economy, and possibly the pace of inflation, won't the next move by the Fed be to tighten policy?

The answer to the latter question ultimately depends on how meaningful a cut Congress makes in the federal budget deficit.

Meanwhile, in the immediate aftermath of the Fed move some analysts expect to see an effort made to drive coupons to single digits on five-year paper. Since 1979, there have been four efforts to achieve that goal and each aborted, leaving holders with big losses.

Investment bankers report there is a tremendous volume of corporate financing waiting to be done when the five-year rate drops to 10 percent, and they fear that clients' pressure for the lowest possible rate and banks' competition to win business will see an early testing of the single-digit level.

With the outlook on interest and exchange rates so uncertain, one issue launched last week was structured in a way to appeal both to dollar investors anticipating a decline in interest rates and to Europeans expecting a drop in the dollar. This was the \$450-million, zero-coupon, partially-paid issue for American Express Co.

American Express is raising \$600 million to finance lease payments on its new New York headquarters.

The zero-coupon issue will raise \$84.895 million as the 15-year bonds are being offered at 18.8656 percent of face value — meaning an investor is asked to pay \$188.656 to buy a security

(Continued on Page 15, Col. 1)

Eurasbank Net Fell to Zero in '84

140 Million DM Set Aside for Risk

Reuters

HAMBURG — European Asian Bank AG, the consortium bank that ran into problems with Far East loans last year, had to use full 1984 operating profits of just under 140 million Deutsche marks (about \$46 million) for risk provisions, a spokesman for the management board said Sunday.

The spokesman, Hans Henning Offen, said the four banks that own Eurasbank had to guarantee a further sum of loans against possible losses. He declined to be more specific. However, banking sources said the four shareholders put up about 260 million DM.

Deutsche Bank AG owns 60 percent of Eurasbank; Creditanstalt-Bankverein, 22 percent, and Amsterdam Rotterdam Bank NV and Société Générale de Banque SA, 9 percent each.

Mr. Offen, speaking at a news conference, said Eurasbank declared net profit of zero for 1984, after a profit of 20 million DM in 1983. The operating profit was 5 percent above the 1983 level.

He would not be specific about the need for further risk provisions for 1985, but said operating profits in the first quarter were slightly higher than in the period a year ago. For the full year of 1985, however, Mr. Offen said he expected about the same level of operating earnings as in 1984.

Mr. Offen was brought in from Deutsche Bank's Lübeck subsidiary after the disclosure of large potential loan losses in March of this year. The main problem areas had been Taiwan and Singapore.

At the time, Deutsche Bank stressed that Eurasbank was not writing off losses already incurred, but needed to make adjustments for possible loan writeoffs in the future.

Mr. Offen said the bank had made false judgments on some credit decisions and in some cases had accepted financial statements from borrowers too readily.

The bank's end-1984 balance sheet total rose to 9.1 billion DM from 8.4 billion, he said.

Tough Calls for Paul Volcker's Fed Discount Rate Cut May Signal Change in Focus

By Robert D. Hershey Jr.

New York Times Service

WASHINGTON — In the summer of 1983, even as Paul A. Volcker was accepting reappointment to a four-year term as chairman of the Federal Reserve, most observers figured there was little chance that he would remain on the job much longer.

Personal and financial pressures were expected to lure the 57-year-old chairman to a lucrative corporate post. He would leave, it was expected, with applause still ringing in his ears for having almost single-handedly rescued the country from double-digit inflation.

Instead, the Fed chairman has stayed on into the second Reagan administration at what admirers see as considerable risk to his reputation.

"He's done a rather magnificent job," said Irwin L. Kellner, chief economist for Manufacturers Hanover Trust Co. But now, he said, "it's a no-win situation" for the man often viewed as the second most influential American after the president.

The Fed always seems to be facing tough choices — indeed, its mandate is to conduct monetary policy to achieve the twin, and sometimes conflicting, goals of sustained growth and general price stability.

But this time the policy bind is particularly acute for the august institution on Constitution Avenue. The economy is weakening. Inflation is down, but not out. And, according to many analysts, unless interest rates drop significantly, the mature recovery that is now at the 30-month mark could come to a painful end.

That makes the Tuesday meeting of the Federal Open Market Committee, the Fed's most important policy-making arm, one of the most crucial in recent years. A sign of what is likely to result from the meeting came Friday in the Fed's announcement of a lowering of the discount rate — the rate at which the central bank itself lends



Fed Chairman Paul Volcker testifies before Congress.

money to financial institutions — to 7.5 percent from 8 percent.

After the deliberations Tuesday, the rate on federal funds can be expected to move down, from last week's levels of 7.7 percent to 8 percent, to match the discount rate and perhaps to fall somewhat below it. The funds rate, charged on overnight loans between banks, is the market rate over which the Fed exercises its closest control.

The FOMC, which meets about eight times a year, has an extraordinarily complex set of variables to weigh in charting policy for the weeks ahead. The economy's growth has slowed dramatically, to a rate of just 2.5 percent, since last summer, and some unsettling wage and other inflationary pressures have begun to emerge.

Prices still are rising at about 4 percent a year, but most analysts think inflation will be above 5 percent by the end of the year. This is the opposite of the hefty growth with declining inflation that the United States enjoyed in 1983 and 1984.

In its discount rate announcement Friday, however, the Fed suggested that it is more worried now about sluggishness in the flat industrial sector of the economy than about any risks to inflation that may be set in force by an easing of policy.

The new discount rate, which takes effect Monday, will be the lowest level in nearly seven years. The Fed said the reduction in the rate was "consistent with the declining trend in market interest rates over recent weeks."

Through the seven governors of the Federal Reserve Board made the discount rate decision, Tuesday's deliberation over what to do next also will include the presidents of five regional Federal Reserve banks. The decision before them about how far to go with the easing of monetary policy will be complex.

One reason is that there is an unusually wide diversity of opinion among government and private economists about the immediate economic outlook.

The economy certainly has

Dollar Accounts Ordered Frozen By Argentina

By Lydia Chavez

New York Times Service

BUENOS AIRES — Argentina's central bank, acting to plug a growing outflow of deposits from the nation's banks, has frozen all dollar accounts in dollars and other foreign currencies for a period of 120 days.

The central bank order, issued at midnight Friday, said depositors would not be able to withdraw dollar funds or make new deposits for the 120-day period. A spokesman for the central bank said the decision would then be "analyzed again."

Heavy withdrawals began a week ago, after the government closed one of Argentina's largest private banks, Banco de Italia y Río de la Plata. The central bank closed the institution after deciding that its problems were too great to be overcome by further loans.

The decision to freeze dollar accounts was looked on by bankers as a positive move that would probably avert more bank failures. Financial sources, however, said the government's mishandling of the bank closure provoked the run on dollars and had thrown into doubt the completion of a \$4.2-billion loan from foreign banks.

The freeze on dollar accounts affects \$700 million to \$1 billion, according to banking sources.

Argentine and foreign companies are permitted to maintain uninsured dollar savings accounts and to receive their interest payments in dollars. In an effort to keep pace with inflation, Argentines buy dollars on the black market with pesos and deposit the dollars in their accounts. Inflation is running at a rate of 910 percent.

The immediate effect of freezing the accounts will be to give the government time to assess the financial situation of troubled banks without the pressure of trying to cover banks in need of dollars. The government has given those savers who have accounts coming due before 120 days the option of buying dollar-denominated bonds that can be sold on the open market.

"The action is in defense of savers and of the community as a whole, whose normal functioning requires the permanence of a solid financial system," a government statement said.

The increase in dollar withdrawals began more than a month ago when the government announced several changes in the banking system.

"Maybe people began to think that if the central bank made those changes, it might also nationalize accounts," a banker said.

The withdrawals picked up in the last week after the government closed Banco de Italia, a bank with \$65 million to \$80 million in uninsured dollar deposits and \$250 million in foreign debt.

The government declined to specify how much money had been withdrawn from savings accounts that reached maturity during the last week. A banker said, "It is fair to say that every private Argentine local bank is losing 100 to 90 percent of its dollar deposits" as they come up for renewal.

The private banks, which hold 20 percent of the dollar deposits, are viewed as the most vulnerable because of the public perception that the government would do more to keep a state bank open. In the last two months, eight private banks have been closed, the Banco de Italia being the largest.

Bankers said the government's failure to clarify how it would handle Banco de Italia's dollar deposits created confusion, making depositors more likely to withdraw their money.

The absence of a government policy on Banco de Italia's foreign debt has also created concern among foreign creditors who are putting together a \$4.2-billion loan package. The loan is contingent on a new agreement with the International Monetary Fund.

Although the banks have raised most of the loan, bankers said that many smaller, regional U.S. banks are beginning to ask whether it makes sense to lend new money to a country when the state of its financial system is unclear.

Some Allied-Signal Units To Be Sold After Merger

Reuters

WASHINGTON — Allied Corp. and Signal Cos. probably will have to sell some of their businesses after they merge, Allied has told the Securities and Exchange Commission.

"It is possible that such divestitures could be significant," Allied said in the filing Friday. The merger will create an international technology giant that will be the 16th-largest U.S. industrial corporation.

Allied said that it expects to conduct a review of all Allied and Signal lines of business following completion of the proposed merger, to determine which are "likely to fit well" in the new company's future operations and which "are relatively more favorably positioned from a strategic point of view to achieve optimum growth objectives."

As part of the May 15 merger agreement, valued at \$4.5 billion to \$4.9 billion, Allied on Friday began a tender offer for up to 22 million Signal common shares, or about 20 percent of the total outstanding, for \$45 per share in cash.

Each of the remaining Signal shares would then be exchanged for a common share of a newly formed holding company to be named Allied Signal Inc.

Also as part of the agreement, Allied and Signal came to a "mutual understanding" that after the merger is completed, they will be

gin an open market purchase program for Allied Signal common stock, Allied said.

Allied stock closed Friday at \$42.125, up \$1.125, on the New York Stock Exchange. Signal was up 37.5 cents, to \$40.875, after an initial decline Wednesday.

Allied, based in Morristown, New Jersey, said that it and San Diego-based Signal will commit at least \$500 million in cash to the repurchase program.

Last week, the companies said that the merged company would have revenue of \$16.7 billion, earnings of \$773 million and assets of about \$15 billion, based on 1984 results. It was not known how any divestitures would affect those estimates.

Allied said that it will obtain the \$1 billion it needs to buy the 22 million Signal shares out of its general funds and from private placements of commercial paper with institutional investors.

The chemicals company said that it expects to pay 6.4 percent interest on the commercial paper.

The paper would be repaid with internally generated cash, coming principally from Allied's anticipated sale — for \$1.4 billion in cash plus \$300 million in stock — of 50 percent of its oil and gas segment, Union Texas Petroleum Holdings Inc.

Allied entered into a sale agreement for Union Texas in April.

Ecuador to Keep Oil Output Above Ceiling Set by OPEC

Reuters

QUITO, Ecuador — Ecuador will not reduce petroleum output even though its production is now 51 percent above the official OPEC quota of 183,000 barrels per day, the deputy minister for natural resources said.

The minister, Fernando Santos Alvarado, said Friday that production would continue at the current level. He spoke after Venezuela's Oil Minister, Arturo Hernandez Grisanti, visited President León Febres Cordero to press Ecuador to maintain OPEC production quotas.

Official figures show that Ecuador produced 276,545 barrels per day in March. It is the second-smallest producer in the 13-nation Organization of Petroleum Exporting Countries, ahead of only Gabon.

Mr. Hernandez Grisanti said that he told the president "of our opinion that we must make all the effort necessary to strengthen the unity of OPEC."

Mr. Santos Alvarado said that Ecuador hoped OPEC would "recognize our situation, especially as a marginal producer, and that we are going through a very difficult economic situation."

He said that adherence to the daily production quota, set by OPEC last October in the face of slack world demand, would cost Ecuador \$1.2 billion a year, a move he described as economic suicide.

Oswaldo Davila, the planning secretary, said last week that Ecuador expected growth this year of at least 7.7 percent in oil production, which provides 70 percent of the country's income.

Mr. Hernandez Grisanti said that production increases by non-OPEC countries such as Britain, Norway and the Soviet Union were checking the cartel's efforts to stabilize market prices.

Successful large-scale financing requires an ability to lead.

With over 80 years experience as the key bank to Japan's major industries, IBJ comes

natural to leadership in large-scale financing. Our knowledge of international markets, ability to assemble superior partners, and credit analysis capabilities have been honed to a fine professional edge.

Today, IBJ innovates corporate, project, and other financing solutions in yen and key international currencies worldwide. In large-scale financing, or myriad international money matters, IBJ is the \$84 billion force that can lead you to success.

IBJ is the only Japanese financial institution to be rated AAA by Standard & Poor's and Aaa by Moody's.

IBJ
INDUSTRIAL BANK OF JAPAN
Head Office: 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Phone: 214-1111 Telex: J22225

YOUR RESOURCEFUL BANK

ance of Payments

g on Nose

om Nowhere

[illegible]

743
857
711
149
194

19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100																			
100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127																																																																									

...the Federal Reserve Committee, at its meeting, would be likely to raise the federal funds rate 75 percent. This could cause a narrow range of the spread and the economy.

With no heavy support, however, it may be a matter of time before the market participants are forced to accept a new level of interest rates.

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield	Terms
FLUATING RATE NOTES						
Alisco	\$70	1995	1/2	100	99.84	Over 6-month Libor. Noncallable. Fees 0.20%. Denominations \$10,000.
Kleinwort Benson Ltd.	\$100	perpet	1/2	100	99.47	Over 6-month Libor. Callable at par in 1990. Fees 0.25%. Denominations \$10,000.
National Westminster Bank	\$500	perpet	1/2	100	99.53	Over 6-month Libor. Callable at par in 1990. Fees 0.25%. Denominations \$10,000. Coupon payment dates Jan. and July.
National Westminster Bank	\$500	perpet	1/2	100	99.50	Over 6-month Libor. Callable at par in 1990. Fees 0.25%. Denominations \$10,000. Coupon payment dates Feb. and Aug.
Sweden	\$750	2000	3/16	100	99.72	Over 6-month Libor. Callable at par in 1988. Fees 0.20%. Denominations \$10,000.
Korea Exchange Bank	\$50	1995	1/2	100	—	Over 3-month Libor. Callable at par in 1990 and redeemable at par in 1990 and 1992. Fees 1.50%.
FIXED-COUPON						
American Express	\$151	2000	11 1/2	100	97.75	Callable at 102 in 1998. Selling fund to start in 1997 to produce a 14-yr average life. 30% paid on subscription and balance in Dec.
American Express	\$450	2000	zero	18.864	18.61	Yield 11.76%. Noncallable. Proceeds \$84.9 million. 23.8% paid on subscription and balance in Dec.
Australia	\$200	1995	11	100	99.63	Noncallable.
Australia	\$100	2000	11 1/2	100	99.63	Callable at 102 in 1995.
Bank of Tokyo	\$100	1995	11 1/2	101 1/4	100.00	Noncallable.
Citicorp	\$150	1995	11 1/2	100	—	Callable at par in 1990. Increased from \$100 million.
DFC Finance Overseas	\$100	1995	11	100	—	Noncallable.
General Motors Acceptance Corp.	\$200	1989	10 1/2	100	98.13	Noncallable.
Southern California Edison	\$100	1992	11	100 1/4	98.25	Callable at 101 in 1990.
Swedish Export Credit	\$500	1992	10	95	94.25	Noncallable. \$100 million issued now and balance reserved for a 5-yr life.
Tenneco	\$150	1995	10 1/2	100 1/4	98.38	Redeemable at par in 1990.
Chenier & Co.	DM 80	1995	7 1/2	100	100.00	Callable at 102 in 1991.
World Bank	DM 200	1991	7 1/2	99 1/4	99.13	Noncallable private placement.
BACOB Finance	ECU 28.5	1993	9 1/2	99	99.75	Noncallable.
Council of Europe Settlement Fund	ECU 45	1992	9 1/2	99 1/4	99.63	Noncallable. Increased from 40 million ecus.
Council of Europe Settlement Fund	ECU 30	1995	9 1/2	100	100.13	Noncallable. Increased from 20 million ecus.
Konsolidierte Oskala Pankki	ECU 50	1992	9 1/2	100	99.13	Noncallable.
World Bank	ECU 50	1995	9 1/2	100	100.13	Callable at 101 in 1991.
Loblau Companies	CS 50	1992	11 1/2	100	98.00	Noncallable.
F Van Linschot Bankiers	DF 50	1990	7 1/2	99 1/4	—	Noncallable.
Australia & New Zealand Banking	Aus 40	1992	13 1/2	100 1/4	—	Noncallable.
Rural Banking Finance Corp.	NZ 25	1990	16 1/4	99 1/4	—	Noncallable.
Rhone Poulenc	FF 450	1991	11 1/2	100	98.75	Noncallable.
World Bank	DK 200	1992	11 1/2	100	100.75	Noncallable.
Scandinavian Airline Systems	NK 250	1993	10 1/2	100 1/4	—	Noncallable. Increased from 200 million norwegian kroner.
EQUITY-LINKED						
American General	\$300	2000	6 1/2	100	—	Redeemable at 110% in 1990 to yield 10.03%. Convertible at a 21.8% premium.
Canon	\$100	2000	3	100	—	Semiannually. Callable at 104 in 1988. Convertible at 1,301 yen per share and of 250.90 yen per dollar.
Casio Computer	\$100	2000	open	100	98.50	Coupon indicated at 2%. Callable at 104 in 1988. Convertible at an expected 2% premium. Terms to be set May 20.
Ryobi	\$30	1990	open	100	99.00	Coupon indicated at 8 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 20% premium. Terms to be set May 20.

Euromarket in Aftermath of Rate Cut

(Continued from Page 13)
that will be redeemed for \$1,000 at maturity. This low purchase price is attractive to investors who see interest rates declining. For an actual cash outlay of \$1,000 — the normal cost to buy one bond — they can buy five American Express bonds and make big profits if rates do decline and the price of the bonds rises.

At the same time, purchasers are required to put up immediately only 23.85% of the price — or \$45 — and the remainder on Dec. 12. This means non-dollar investors can profit from any decline in the value of the dollar between now and mid-December.

The effective yield investors earn on the zero is about equal to what American Express is paying to raise \$151 million in a more classically structured 15-year bond bearing a coupon of 11 1/2 percent.

If the full purchase price of the zero were put up now, the yield over the 15 1/2 years to final maturity would be equivalent to 11.36 percent. If the full price were paid in December, the 15-year yield would be equal to 11.76 percent.

Although the 11 1/2% also are par-

tially paid — 30 percent cash outlay on subscription and the remainder in December — there was considerably less leverage than on the zero and this was reflected in the trading price. The 11 1/2% ended the week at a discount of 2 1/4 points while the zero traded at a modest premium.

Anticipation that rates were coming down was also reflected in the lengthening of maturities. Australia tapped the market for \$300 million, offering \$100 million of 15-year, 11 1/2% bonds and \$200 million of 10-year bonds bearing a coupon of 11 percent. Bank of Tokyo Ltd., Development Finance Corp. of New Zealand and Tenneco Inc. also tapped the 10-year market.

Until now, maturities of 10 years or longer have been rarities. Most dollar issues this year have been in the five-to-seven year range.

In the floating-rate market, National Westminster Bank PLC and Kleinwort, Benson Ltd. issued undated paper which, to be counted as primary capital, are effectively preferred shares rather than debt securities. The high coupons on these perennials relative to what

normal FRNs bear has made them extremely popular.

However, taking into account the lower standing of this paper — interest can be suspended if dividends are omitted or the capital wiped out if the banks are put into liquidation — Standard & Poor's has rated these perennials two degrees lower than the rating applied to unsubordinated debt. This came as shock to the market when it was announced that the perpetual for Midland Bank PLC — the weakest of the clearing banks — was awarded a triple-B rating, the lowest for paper considered to be of investment grade.

National Westminster split its \$1-billion offering in two parts which are identical except for semi-annual interest payment dates — January-July and February-August.

NatWest, taking advantage of the great demand, set its coupon at 1/4-point over the average of the bid-offered interbank rates whereas all the other British banks have used the offered rate. The switch means a 1/16-point cut in interest as normally there is a 1/4-point split between the two rates.

Kleinwort's \$100-million offering was less well received despite its carrying the highest coupon of any British perpetual yet — 1/4-point over Libor. Many investors complained that a merchant bank is too big a risk for a perpetual and the size of the issue too small to assure continual liquidity.

For the most part, non-dollar investors shunned new purchases of dollar securities. The favored investment vehicle is the European Currency Unit. Interest on ECU bonds is almost 2 percentage points higher than on Deutsche mark paper and 1 1/2-points higher than on guilders securities. Investors consider that the interest differential adequately compensates for the risk of a currency realignment within the European Monetary System which would see the ECU devalued against the mark and guilder.

The DM sector scored a first last week with international banks invited to syndicate a domestic issue of 80 million DM for Chenier & Co., a unit of the federal railway. This was the first foreign participation in the domestic market.

U.S. Consumer Rates For Week Ending May 17	
Passbook Savings	5.50 %
Time Deposit 24-Month Index	5.84 %
Money Market Funds	8.87 %
Bank Money Market Accounts	7.65 %
Home Mortgage FHLB average	13.70 %

Commercial Paper Issue Set by Canada Trade Agency

By Carl Gewirtz
International Herald Tribune

PARIS — The Euroroute market took a major step last week in its development toward becoming a commercial-paper market when Export Development Corp. of Canada announced plans to issue for an unspecified period an unlimited amount of short-term paper.

Euroroute is basically medium-term bank loans broken into short-term securities, those of one month

SYNDICATED LOANS

or more, that the underwriting banks continually try to sell to investors. If buyers are not found, the banks underwriting the facility are obliged to provide funds to the issuer.

Commercial paper, little-known in Europe but a very major source of funding in North America, is an equally short-term negotiable IOU that banks try to place with investors. But the banks are under no obligation to take the paper if buyers are not found. In this case, the issuer must have a proven capacity, through undrawn lines of credit from banks or its own cash stream, to redeem maturing paper if it cannot be rolled over.

What distinguishes the EDC program from the previous Euroroute commercial paper projects of Norsk Hydro and St. Gobain is the open-ended amount it will seek and the undefined expiry date of the program. All that is known is that EDC will regularly be testing the market for conditions on the issuance of paper carrying a maximum maturity of one year. Presumably the cost of funds will have to be comparable with New York, where EDC already has some \$1 billion in outstanding commercial paper.

Another distinguishing feature is that the EDC paper will be offered bearing a rate of interest that the borrower and its placing agents — Credit Suisse First Boston Ltd. and Swiss Bank Corp. — deem appropriate. By contrast, the interest on Euroroute is set in relation to the London interbank rate.

Like the earlier European commercial paper programs and most Euroroute facilities, there is no tender panel of competing banks bidding for paper to resell, but rather two dealers who determine an appropriate rate then try to market the paper.

Investment bankers believe that this method of marketing is the wave of the future. They believe that the Bank of England's measures forcing commercial banks to take account of underwriting commitments and the expressed concern by other central banks about these off-balance-sheet commitments of banks will lead to a total separation of the marketing of short-term paper from the back-up lines of credit provided by commercial banks.

That separation should result in more realistic pricing on the credit lines, investment bankers say. Post-och Kreditbanken of Sweden also announced plans to issue up to \$250 million of Eurocommercial paper through Citicorp, Merrill Lynch & Co. and P.K. Christiana Bank. The three will act as dealers, providing PKBanken with bids on paper with maturities ranging from one week to 12 months.

In the Euroroute market, Borden Inc., the U.S. food-products company, is seeking a \$175-million, five-year facility that can be extended annually provided all the underwriters are agreed. Banks providing the back-up credit will receive an annual fee of 10 basis points and are obliged to provide funds, if notes cannot be sold at a lower cost, at a maximum rate of interest of 20 basis points over Libor.

Avon Products Inc., the U.S. cosmetics maker and distributor, has completed a \$130-million, eight-year note facility paying underwriters an annual fee of 12.5 basis points. Drawings from the banks will cost the company 1/4-point over Libor.

Republic New York Corp., the holding company of Republic National Bank of New York, is seeking a \$100-million, five-year note facility. It will pay underwriters an annual fee of 7.5 basis points; drawings from the banks will cost 1/4-point over Libor for as much as \$33.3 million and 1/4-point over Libor for more than that.

Cigna Corp., the U.S. insurance company, is raising \$300 million in a three-year facility for which it will pay underwriters an annual 10 basis points. Drawings from the banks will cost it 10 basis points over Libor for as much as half the amount and 20 basis points for more.

The continued appeal of such facilities was best demonstrated last week by the increase in Deere & Co.'s facility to \$1.3 billion from the initially indicated \$600 million. This now ranks as the largest facility yet arranged, topping the \$1.2 billion put together for Beatrice Cos. Deere is paying an annual underwriting fee of 15 basis points for the first three years, 17.5 for the final two years. Maximum interest on the notes is set at 22.5 basis points over Libor.

In Asia, Thai Farmers Bank Ltd. in Bangkok has asked banks to submit bids for terms on a \$50-million, five-year Euroroute facility.

In the syndicated credit market, banks advised Electricite de France that it could increase its 10-year multipurpose standby facility to \$900 million from the \$400 million initially sought.

Tough Calls for the Fed

(Continued from Page 13)

slowed from the remarkable 8.5-percent rate of expansion in the first half of 1984 and there is much evidence from industrial production, unemployment and productivity figures to support those who think it is fast running out of steam.

"You're going to get some miserable statistics for the month of April," asserted John C. Maher, vice president of Citicorp Information Services. "We're a bit concerned."

But others, pointing to such encouraging figures as strong housing starts, soaring automobile sales and continued hefty military orders, argue that the economy is doing considerably better than the meager 1.3-percent reported rate of first-quarter growth would suggest.

Complicating the assessment of future policy is the increasing importance of the highly volatile foreign trade sector. Imports, for example, jumped \$9.6 billion in the first three months of 1985, after falling \$13.9 billion in the fourth quarter of last year.

And any calculation of the appropriate monetary policy must consider the gyrating — but still high — international value of the dollar, the major source of the import surge.

The rapid American recovery, high interest rates and the favorable overall investment climate in the United States have attracted huge sums of foreign capital that have been a boon to the Treasury's financing efforts. And Mr. Volcker has predicted the inflow, which is equal to about half the federal budget deficit, will increase in 1985.

So while the Fed would like to see the dollar decline further to benefit U.S. agricultural and other exporters and preserve manufacturing jobs being lost to the tide of imports, it also knows that a severe decline could add substantially to inflation and interest rates.

The dollar problem, in fact, is so serious that Stephen Morris, an analyst with the Institute for International Economics, has concluded that there is no way for U.S. policymakers to avoid an economic "hard landing." He argued last week that without major, and he believes unlikely, policy changes by both the United States and its allies, the basic disequilibrium of the dollar will cause it to plummet by more than 40 percent over the next few years, to a level beneath its 1980 low.

This would result in a financial-market crunch, raising interest rates five points above what they otherwise would have been.

Mr. Volcker, assuming he is still on the job, would at this point face an impossible choice. If the Fed sticks to its monetary targets, the high rates would push the economy into what would be its first postwar recession generated by external pressures and risk a world financial crisis.

But if the Fed eased policy to try to restrain rates, the bond and currency markets would panic about inflation, creating a spiral of eroding confidence.

Norman Robertson, an economist at the Mellon Bank, said that this bleak view already has won considerable support in Europe, where many believe that things have already gotten so far out of hand that the only possible outcome is either recession or resurgent inflation.

The Fed, at least for now, does appear to have one precious bit of maneuvering room. Despite some mildly disquieting early signs of upward pressure on wages and some presumably temporary oil-price increases, inflation remains subdued, which enables the Fed to relax its monetary grip a bit.

These, then, are among the issues that the 12 voting members of the FOMC will be weighing when they gather Tuesday in their cavernous board room.

Treasury Bills			
Days	Rate	Rate	Rate
1-4	7.38	7.38	7.38
4-13	7.38	7.38	7.38
13-26	7.38	7.38	7.38
26-40	7.38	7.38	7.38
40-52	7.38	7.38	7.38
52-64	7.38	7.38	7.38
64-76	7.38	7.38	7.38
76-88	7.38	7.38	7.38
88-100	7.38	7.38	7.38
100-112	7.38	7.38	7.38
112-124	7.38	7.38	7.38
124-136	7.38	7.38	7.38
136-148	7.38	7.38	7.38
148-160	7.38	7.38	7.38
160-172	7.38	7.38	7.38
172-184	7.38	7.38	7.38
184-196	7.38	7.38	7.38
196-208	7.38	7.38	7.38
208-220	7.38	7.38	7.38
220-232	7.38	7.38	7.38
232-244	7.38	7.38	7.38
244-256	7.38	7.38	7.38
256-268	7.38	7.38	7.38
268-280	7.38	7.38	7.38
280-292	7.38	7.38	7.38
292-304	7.38	7.38	7.38
304-316	7.38	7.38	7.38
316-328	7.38	7.38	7.38
328-340	7.38	7.38	7.38
340-352	7.38	7.38	7.38
352-364	7.38	7.38	7.38
364-376	7.38	7.38	7.38
376-388	7.38	7.38	7.38
388-400	7.38	7.38	7.38
400-412	7.38	7.38	7.38
412-424	7.38	7.38	7.38
424-436	7.38	7.38	7.38
436-448	7.38	7.38	7.38
448-460	7.38	7.38	7.38
460-472	7.38	7.38	7.38
472-484	7.38	7.38	7.38
484-496	7.38	7.38	7.38
496-508	7.38	7.38	7.38
508-520	7.38	7.38	7.38
520-532	7.38	7.38	7.38
532-544	7.38	7.38	7.38
544-556	7.38	7.38	7.38
556-568	7.38	7.38	7.38
568-580	7.38	7.38	7.38
580-592	7.38	7.38	7.38
592-604	7.38	7.38	7.38
604-616	7.38	7.38	7.38
616-628	7.38	7.38	7.38
628-640	7.38	7.38	7.38
640-652	7.38	7.38	7.38
652-664	7.38	7.38	7.38
664-676	7.38	7.38	7.38
676-688	7.38	7.38	7.38
688-700	7.38	7.38	7.38
700-712	7.38	7.38	7.38
712-724	7.38	7.38	7.38
724-736	7.38	7.38	7.38
736-748	7.38	7.38	7.38
748-760	7.38	7.38	7.38
760-772	7.38	7.38	7.38
772-784	7.38	7.38	7.38
784-796	7.38	7.38	7.38
796-808	7.38	7.38	7.38
808-820	7.38	7.38	7.38
820-832	7.38	7.38	7.38
832-844	7.38	7.38	7.38
844-856	7.38	7.38	7.38
856-868	7.38	7.38	7.38
868-880	7.38	7.38	7.38
880-892	7.38	7.38	7.38
892-904	7.38	7.38	7.38
904-916	7.38	7.38	7.38
916-928	7.38	7.38	7.38
928-940	7.38	7.38	7.38
940-952	7.38	7.38	7.38
952-964	7.38	7.38	7.38
964-976	7.38	7.38	7.38
976-988	7.38	7.38	7.38
988-1000	7.38	7.38	7.38

Source: Federal Reserve Bank.

Source: Federal Reserve Bank.

We proudly announce the opening of an exciting new hotel that rivals your favorites in Europe.

The Century Plaza Tower on Los Angeles' Westside.

Please call for reservations.



CENTURY PLAZA

Cable: CENT-PLAZA Telex: 698-664 Dept. T

Oesterreichische Kontrollbank Akti

[illegible][illegible][illegible]

	Sales	High	Low	Last C
BAT in	2,781,400	4%	4	4%
WomB	1,639,900	18%	17%	18%
DomeP	1,264,500	27%	21%	25%
Echoe g	723,200	121%	118%	129%
ME	689,400	6%	5%	6%
Ersto	651,400	2%	1%	1%
GfCcd	561,200	14%	13%	14%
Frmfz	524,600	25%	14%	15
WDNtH	474,200	14	12	15%
NYTime	466,100	47%	42%	47%

Escort Service.
Tel: 736 5877.

LONDON
Cartman Escort Agency

London Lady P.A.
Tel: 402 5228

ROME CLUB EUROPE ESCORT
& Guide Service.Tel: 06/589 2604-589
1146 (from 4 pm to 10 pm)

VIENNA BOHEM ESCORT
Tel 56 78 55.

VIENNA VIP ESCORT SERVICE
(Vienna) 65 41 58

FRANKFURT + SURROUNDING
Christina's Escort Service.

LONDON JAPANESE ESCORT

HAARLEBURG ESCORT & GUIDE Service.
Tel: 040/54 17 42.

JENNIFER'S ESCORT & TRAVEL Service Frankfurt Tel: 069/555-973

POLAND ESCORT SERVICE Frankfurt.
Tel: 069/63 41 59.

HOLLAND-JB ESCORT SERVICE mnl.

Wm. E.

160 Water Street, New York, N.Y. 10038
Telephone: (212) 908-5800 • Telex: WEPABNY-649017

LONDON
Portman Escort Agency
67 Chiltern Street,
London W1

MAYFAIR CLUB
GUIDE SERVICE from 5pm

GENEVA ESCORT

<p>China's Escort Service. 0697364656</p> <p>CHINA JAPANESE ESCORT Ser.</p> <p>Tel: 01 821 0827.</p> <p>DORF-COLOGNE-Essen-Bonn</p> <p>Escort Service 0221 / 289 21 41</p>	<p>Tel:</p> <p>HOU</p> <p>222</p> <p>LONG</p> <p>3-1</p>
---	---

TRULINE ESCORT SERVICE, (203-944-530, 02977-3685.



